Austria	Sch.20	Indonesia	Rp 3100	Philippines	Pes 20
Bahrain	Din 0.650	Israel	NS 3.50	Portugal	Esc 100
Belgium	BFr 45	Italy	L1600	S. Arabia	Rls 6.00
Canada	C$1.00	Japan	Y800	Singapore	S$4.10
Cyprus	C£0.75	Jordan	Fils 500	Spain	Pta 125
Denmark	DKr 9.00	Kuwait	Fils 500	Sri Lanka	Rup 30
Egypt	E£1.50	Lebanon	£L25.00	Sweden	SKr 8.00
Finland	Fmk 7.00	Luxembourg	LFr 45	Switzerland	SFr 2.20
France	FFr 6.50	Malaysia	Rm 4.25	Taiwan	NT $65
Germany	DM 2.20	Mexico	Pes. 300	Tunisia	Din 1.375
Greece	Dr 80	Morocco	Dh 6.00	Turkey	L 350
Hong Kong	HK$ 12	Netherlands	Fl 3.00	U.A.E.	Dh 6.50
India	Rup. 15	Norway	Nkr. 7.00	U.S.A.	$1.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

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1056

Paris concession fails to halt rail strike, Page 10

World news | Business summary

Offer fails to satisfy French strikers

Further concessions to the strikers, including the withdrawal of controversial new merit-linked pay scales, failed to end the two-week conflict crippling France's railway system.

Rail services yesterday were reduced to their lowest level since the strike began. But the Government refuses to yield on the 3 per cent limit it has set on public-sector pay rises. Page 10

Afghan ceasefire

Afghan leader Najibullah ordered a ceasefire from January 15 in the seven-year war between his Moscow-backed Government and Moslem guerrillas, Kabul Radio reported. But the main guerrilla alliance rejected it. Page 2

Hotel fire kills 41

Puerto Rican officials are investigating the possibility of arson in a New Year's Eve fire at a luxury beachfront hotel which killed at least 41 people and left more than 100 in hospital. Survivors said they heard explosions and the sound of breaking glass before they saw smoke from the fire.

Reagan talk jammed

The Soviet Union broadcast part of President Reagan's New Year address on Moscow Radio, but the US embassy in Moscow said that his original address on Voice of America was heavily jammed. Page 2

Tehran blames US

An Iranian official blamed the suspension of financial talks with US representatives at The Hague on a "unilateral and abrupt" decision by the Americans.

Contras investigated

A US Congressional committee is investigating allegations that Contra rebels in Nicaragua have been involved in cocaine smuggling and gun-running. Page 2

Dublin gas blasts

Two people died and three were missing after two suspected gas explosions ripped through a Dublin block of flats. Five firemen were hurt by falling masonry as they searched through rubble.

Cardinal apologises

Cardinal John O'Connor, Archbishop of New York, apologised to Israelis for a controversy caused when he cancelled meetings with government leaders in Jerusalem on Vatican orders. He said at the start of a five-day visit that the fault was his for failing to understand protocol.

Niger President ill

President Seyni Kountche of Niger was rushed to Paris overnight for emergency medical treatment, the French Foreign Ministry said. Kountche, 55, as reported to have suffered a cerebral haemorrhage.

Greeks get VAT

Greece introduced value-added tax (VAT) on goods and services, ranging from 6 per cent on wine and dairy produce to 36 per cent on luxuries, including coffee and cigarettes.

Premier chases thief

Dutch Prime Minister Ruud Lubbers chased through the streets of Rotterdam after a thief who had broken into his wife's car. He and his son seized a man and handed him over to police.

Mugabe promise

Although Zimbabwe failed to meet its self-imposed December 31 deadline for imposing economic sanctions against South Africa, Prime Minister Robert Mugabe says sanctions will be implemented "soon."

Sorry, wrong year

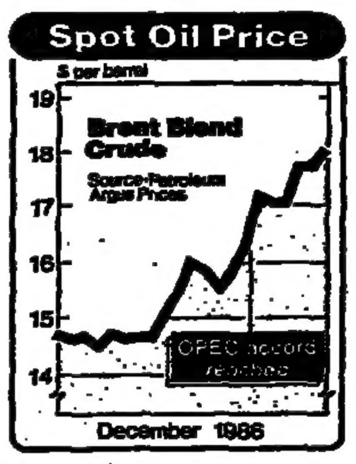
The Bonn Government has demended an apology from West Germany's main television network for broadcasting a New Year message by Chancellor Helmut Kohl that was a year out of date. It ended with him wishing the nation "a peaceful 1986." Page 2

Saudi budget projects deficit

SAUDI ARABIA'S long delayed budget is the first in the Kingdom's history to project a deficit, envisaging a revenue shortfall of the equivalent of $14bn and amounting to 31 per cent of planned expenditure. Page 10

AUSTRALIAN takeover battle between Robert Holmes à Court and Rupert Murdoch for control of the Herald and Weekly Times newspaper and broadcasting group heated up when Holmes à Court raised his bid by 50 cents to A$13.50 a share. His A$13 offer last week was in response to Murdoch's bid of A$12 a month ago. The Herald board meets today to decide between the bids, which value the group at about A$2bn (US$1.34bn). Page 10

Spot Oil Price



OIL: Spot prices for the North Sea's Brent crude stayed at about $18 a barrel in thin trading on December 31. Markets remained confident that the Opec agreement to aim for a fixed price of $18 would sustain prices in the short term. Commodities markets, Page 14

SINGAPORE economy grew 1.9 per cent last year in a recovery from the recession of 1985, Premier Lee Kuan Yew said. Page 2

FRANCE has awarded a FFr 950m ($144m) concessionary loan to Indonesia tied to French project costs in the country. Page 3

STOCKHOLM Stock Exchange has suspended dealing in shares of Fermenta, the troubled antibiotics and animal healthcare group, until further notice because financial information provided by the company is insufficient to allow a correct valuation of the shares. Page 11

NATIONAL Semiconductor, US electronic components group, cut its losses in the second quarter to $5.7m, compared with $38.8m a year earlier, but suffered a setback compared with its first quarter when losses were reduced to $1.4m. Page 11

FIRST Chicago, US banking group, is to pay $247m for Beneficial National Bank USA, the credit card operation of Beneficial, a struggling consumer finance concern. Page 11

BANK Hapoalim, the Israeli bank, has paid $90m for a subsidiary of Solel Boneh, the debt-laden civil engineering group. The deal will help Solel meet asset-sale deadlines imposed under a rescue programme agreed with the banks and the Government. Page 11

BZW, investment banking arm of Barclays, the UK banking group, is to establish a securities operation in the Netherlands and become a member of the Amsterdam Stock Exchange. Page 11

AUSTIN Rover, volume car division of Britain's state-owned Rover motor group, is seeking a government injection of more than £400m ($587m) to cover losses and fund new investment. Page 10

PEARSON, industrial banking and publishing group, which owns the Financial Times, said yesterday it had disposed of the last and biggest part of its Fairey engineering arm through a £51m ($73m) management buy-out. Page 3

SINGAPORE hotel interests of Tan Sri Khoo Teck Puat, the entrepreneur involved in a financial tangle with the National Bank of Brunei and the Brunei Government, increased profits by 67 per cent to S$24.5m (US$11.18m) last year. Page 11

China students in mass protest on arrests

BY ROBERT THOMPSON IN PEKING

ABOUT 4,000 university students marched through Peking streets early today and demanded the release of the protesters detained by police at a demonstration yesterday.

The students sang the Internationale and chanted "release our friends" as they walked towards the city centre.

After having swept through several lines of police, the mass of students halted at an intersection in the west of the city, where they were addressed by Peking University's vice-chancellor, Shi Jianxun, who said the detained students had been released 30 minutes earlier and pleaded with them to return to their campus dormitories.

The study body was in two minds, with the majority happy to have won the release of the students and a minority wanting to press on to Tiananmen Square scene of yesterday's demonstration. After about 20 minutes of indicision, the bulk of students began the two-hour walk home, while 200 to 300 pressed on through freshly fallen snow to the city centre.

Police had been instructed not to arrest the marchers, even though they were flouting a new law requiring march organisers to give police five days' notice of a planned demonstration. If the police had continued the pattern of arrests set at Tiananmen, the protest-arrest chain reaction could easily have become uncontrollable.

The students' victory in securing an assurance of the freedom of those arrested is likely to intensify the pressure within the Government to take a tougher line against protesters. As such, the Government has suffered a severe loss of face, and conservative officials are likely to stress that fact.

The communist Government has refused to recognise the existence of the democracy movement and blamed the protest yesterday on a few agitators. It claims to have uncovered Taiwanese-backed conspiracy and a new political group allegedly seeking to overthrow communist rule.

But the students' banners yesterday called for the "protection of Deng Xiaoping," the Chinese leader, and denounced "conservatives" and "reactionaries" in the Communist Party who, the students say, are attempting to slow the country's ambitious freform programme.

The Chinese press this week has carried statements from several conservative officials, who have criticised "bourgeois liberalism" and the stress on "commodity production" at the expense of ideology.

Students gathered in the morning on the fringe of Tiananmen Square, most of which was cordoned off by police and had been watered earlier so that a new layer of slippery ice would hinder protesters in the sub-zero temperatures. Small groups of students walked around the fringe and, until lines of police were ordered to clear the entire square, it appeared that the planned protest would not get off the ground.

When the police moved, a crush resulted, and several hundred protesters surged through the police lines, they pushed towards the monument to people's heroes, an obelisk in the centre of the square, where they were confronted by more police and where one or two protesters were arrested.

Students were dragged along the ice and hauled into waiting police buses, while police cameramen filmed the demonstrators, who continued to chant "you can't arrest us" and were eventually forced towards a huge portrait of the late Mao-Tse Tung at the entrance to the Forbidden City.

The Government last night blamed a "few trouble makers who will be investigated according to law," some of whom were taken away for "education and interrogation."

Student expectations had been raised by Government talk of "political reform", although few details have been given about what kind of reform it has in mind.

The campus campaign has included successive demonstrations in Shanghai and 10 other cities, and the surfacing of hundreds of protest posters. The campaign reached a new high with the Peking protest, which the Government tried to stop with a saturation media campaign and counselling on campus.

One 23-year-old Peking University politics student at Tiananmen Square yesterday said he was committed to supporting the campaign because he believed in freedom of the press and because students should keep up the momentum of the democracy movement.

Other students said they were prepared to go to jail for their beliefs, which are often not clearly defined. The students want the political system to be more representative and demand a freer press, but they are vague about exactly what kind of political system they want.

Continued on Page 10

Pöhl gives warning on impact of $ fall as US deficit soars

BY LIONEL BARBER IN WASHINGTON AND ANDREW FISHER IN FRANKFURT

MR KARL OTTO PÖHL, president of the West German Bundesbank, said a further marked fall in the dollar would put at risk continued economic growth in West Germany and the rest of Europe and lead to higher inflation and interest rates in the US.

His remarks coincided with news that the US trade deficit surged to a record $19.2bn last November, making likely congressional pressure for a protectionist trade bill early in the year.

The deficit was far higher than Wall Street and government economist had forecast. It raised doubts about official optimism that the US manufacturing sector was recovering its competitive edge.

News of the trade deficit pushed the dollar down and gold up in the US and Europe at the close on Wednesday. However, market reaction was concentrated into a short period and markets coasted through the rest of the session in thin pre-holiday trading.

In New York, the dollar closed down 0.026 pfennigs at DM 1.921. In London, the pound closed 1.35 cents lower at $1.4825. Gold rose by $14 an ounce to $404.

The rise in the November deficit means the imbalance between US imports and exports is running at an annual rate of $173bn.

US officials had predicted that the impact of a sharply lower dollar would remove some pressure on the trade deficit, while economists argued that foreign goods should have become more expensive in the vast US market.

Mr Pöhl, in a year-end article in the Handelsblatt business newspaper, said the continuing weakening of the dollar – its close at DM 1.94 on December 31 in Frankfurt compared with DM 2.46 a year ago – would not help to close the US current account deficit, at least in the short term.

Mr Pöhl repeated his view that the level of about DM 2 for the dollar was much more in accord with economic fundamentals than 18 months ago.

Mr Pöhl said that despite the level of its current account deficit, the US had been behaving like a country with a surplus. This was possible, he thought, while the rest of the world was prepared to accumulate dollar investments. But he warned: "There is no guarantee that this will remain the case to such an extent in the future. We have seen in the 1970s how the dollar reserve currency could suffer a crisis of confidence."

Mr Pöhl and his colleagues at the Bundesbank have resisted pressure for further interest rate cuts, mainly from the US, arguing that the rapid rise in money supply provided plenty of scope for continued growth in Germany.

Last month he again ruled out a cut in the 3.5 per cent discount rate before or after the German general election on January 25 – which the present conservative Government is expected to win.

In the Handelsblatt article, he said Germany had done more to fulfil its responsibilities as a "surplus" country than any other nation.

The US November figures show a deficit across a broad range of manufactured goods and countries. In manufactured goods, the shortfall rose to $16.76bn, including a record $4.9bn for car imports. Imports also rose for steel, textiles, and office machines.

The deficit with Japan hit a record $6.74bn in November and rose to a total of $54.75bn for the first 11 months of last year, compared with $49.7bn in 1985.

The total unrevised deficit for the first 11 months amounts to $159.12bn against $133.33bn in 1985, making it likely that the 1986 outturn will be well above $170bn.

The Commerce Department also revealed that it had revised earlier figures on the October trade deficit from an earlier estimate of $12.06bn to $14.71bn.

Trade in agricultural commodities – the source of current tension with the EEC – nevertheless recorded its fourth monthly surplus. In November, farm trade showed a surplus of $484.1m, with agricultural exports totalling $2.51bn.

November's exports overall totalled $18.6bn, down from $19.3bn during October, of which some $12.8bn came from US manufactured goods.

Botha's election plan welcomed by white parties

BY ANTHONY ROBINSON IN CAPE TOWN

LEADERS of South Africa's main white opposition parties have welcomed President P. W. Botha's announcement in his New Year address to the nation that elections for white voters would be held later this year.

Mr Botha said in a television interview that he had several dates in mind but that the final decision would be announced on January 30 at the opening of parliament.

Mr Colin Eglin, leader of the official opposition Progressive Federal Party (PFP) said that his party hoped to increase its representation in the 178 seat House of Assembly from 27 to at least 40 seats Spokesmen for the right-wing Conservative (CP) and Herstigte Nasionale parties saw the election as an opportunity for the right to challenge the National Party's dominant position. It currently holds 127 seats compared with only 18 for the CP and one for the HNP.

Five out of the last seven elections since the Afrikaner-dominated National Party came to power in 1948 have taken place in April, and this remains the most likely month for the first white election for six years. Elections are normally held every five years, but when the Government introduced a new constitution in September 1984, it ruled that the life of the all-white House of Assembly, elected in April 1981, would be extended. Future elections for all three houses for the new, racially segregated parliament could then take place within the same five-year span.

The Government has now decided to hold elections in the white House of Assembly only. This reflects belief that electoral support for right-wing white parties has declined as a result of its tough law and order policies, improving short-term economic prospects and its defiance of US and other foreign pressures.

At the same time it does not want to risk a repeat performance of the 1984 elections to the coloured and Indian houses which were marred by violent opposition, boycotts and a low voter turnout.

In his New Year address Mr Botha indicated that resistance to foreign "interference" in South Africa's affairs would be a major plank in an election at which whites would be asked to endorse the Government's timetable for "an evolutionary process" of change.

An Indian youth was stabbed to death after angry passengers from a train delayed at signals rampaged through a campsite at Winkelspruit, south of Durban. In a separate incident, police used teargas and shotguns to disperse a mob looting an ice cream kiosk on a beach reserved for blacks in Durban. Seven people were injured.

EEC sets scene for trade dispute with US

By Quentin Peel in Brussels

EUROPEAN retaliation for threatened US tariff increases on key food and drink exports such as gin, brandy, white wine, cheese, tinned ham and olives could be finalised within two weeks, setting the scene for outright trade hostilities in February.

At the same time, a date is expected to be fixed next week for a final effort for the two sides to settle their dispute over compensation for some $400m to $500m in lost US grain sales to Spain.

The European retaliation would hit US exports of corn gluten feed, rice and wheat, as agreed by the EEC Council of Ministers last June when the dispute first came to a head. Only the details of implementation and the size of tariffs to be levied would remain to be determined, within two weeks of any US decision to act.

Both sides are then likely to come to the negotiating table with their weapons in the open as they seek to narrow a yawning gap in their respective positions on what is described in both Washington and Brussels as the most difficult and potentially damaging trade conflict they have faced in recent years.

The US measures announced just before the New Year are carefully designed to bring pressure to bear on most EEC member states. Gin will hit Britain, brandy and cognac hit France, cheese affects France and the Netherlands, white wine is aimed at West Germany and olives at the Mediterranean countries. (Whisky is not included in the US measures – as mistakenly suggested in Wednesday's FT).

Any European retaliation would be intended to affect the same farm lobbies, bringing pressure to bear on Washington to fight for full compensation for the loss of maize and sorghum sales to Spain. Corn gluten feed is simply a by-product of maize used in animal feed while rice and wheat will also hit the major grain producers and traders.

The heart of the argument is the US claim that it should be compensated specifically for the loss of its maize and sorghum sales to Spain before that country joined the EEC a year ago. Since then, US feedgrains have been subject to levies effectively pricing them out of the market, where they have been progressively replaced by French maize and British barley.

The EEC argument is that the US losses are partly compensated by gains in other areas: higher sales of soyabeans, for example, and of in-

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EEC may crack down on 'screwdriver' operations, Page 10

IBM, Merrill Lynch abandon electronic information system

BY RODERICK ORAM IN NEW YORK

A MUCH-VAUNTED joint venture to bring sophisticated electronic information systems to the US financial services industry has been abandoned by IBM and Merrill Lynch, the world's largest retail investment broker, after less than three years.

In a terse New Year's Eve statement, the companies said they were winding up International MarketNet (Imnet) after reassessing "the financial viability of the venture." Some users said Imnet's high-priced services had fallen well short of those promised when the company was launched in March 1984. If successful, it would have been stiff competition for existing suppliers of financial information such as Reuter, Telerate and Quotron.

Imnet joins a long list of office or home information systems which have run into trouble. Last month, for example, CBS, one of the big three US television networks, withdrew from Trintex, a failing videotex service set up in 1984 by IBM and Sears Roebuck, the huge US retailer. Two newspaper groups closed their own videotex services in 1986.

As Imnet was conceived, investors and brokers would have used desk-top IBM personal computers to draw on a wide range of financial market information and services such as stock prices and analysts' reports supplied via telecommunications links from central computers. IBM's computing skills and Merrill Lynch's financial services appeared to be a potent combination.

Shortly after Imnet's launch, Mr Joseph Castellano, its chief executive, forecast that "in five or six years we think the market for MarketNet could be as big as $1bn."

The only product Imnet sold in volume, however, was an equities analysis software programme which was not on-line to the Imnet network. A sophisticated portfolio management system for use in Merrill's retail offices and for sale to other brokers was still being developed.

A recent IBM initiated study of Imnet concluded the venture "would not be profitable for a long, long time and might never be profitable at all," according to an Imnet official quoted yesterday.

The companies said the closing of Imnet would have no significant effect on their 1986 or 1987 earnings. Both groups are trying to bolster their earnings by weeding out ventures which are either los-making or no longer central to their business strategies.

Much of what Imnet failed to deliver is available, however, on StreetSense, a wide ranging desk-top computer service launched four months ago by Citibank, the largest US banking group. StreetSense services, which include share trading, cost under $500 a month.

Citibank, which is reputed to spend $1bn year building up and running its computer and telecommunications operations, paid $680m six months ago for Quotron Systems, a leading supplier of financial information. Some banks and brokers were unhappy that a main vendor of information such as stock prices had been sold to a competitor.

CONTENTS

OVERSEAS NEWS

South Africa's ruling National Party now believes it is strong enough to maintain support at the polls, **Anthony Robinson** reports

Botha seeks mandate from white electorate for an unidentified agenda

PRESIDENT P. W. Botha has been teasing South Africa's white electorate about elections for months. Now, in his new yera message, ostensibly to the country at large but mainly aimed at whites, he has told them they can deliver their verdict this year.

The exact date will only be revealed when he opens parliament on January 30 but the crucial judgment, that the ruling National Party believes it is strong enough to seek, and obtain, a new mandate from whites has been made.

In theory Mr Botha had no need to call a general election for all three racially separate houses of the tri-cameral parliament, until August 1989. That would have been five years after the introduction of the new constition in September 1984 which brought coloureds and Asians into the parliamentary system and gave Gaullist-style powers to the state president but ignored the still unenfranchised black majority.

By deciding to hold elections for the white house of assembly only Mr Botha has confirmed what critics of the tri-cameral system have always maintained, that it iis only the white house which really matters. Even that is hotly disputed by many, including the former leader of the opposition Dr Frederik van Zyl Slabbert, who resigned a year ago calling the parliamentary system in South Africa 'a farce.'

In the eyes of President Botha, and other leaders of the National Party which has ruled without interuption since 1948, the white mandate for the new constitution, and the long list of apartheid "reforms" introduced over the last 30 months stemmed not from the last whites only election, in April 1981, but from the white only referendum of November 1983.

On that occasion 66 per cent voted yes for the Government's cautious reform programme. But the party's right wing, which broke away to form the Conservative Party (CP) under Dr Andries Treurnicht in February 1982, refused to accept the referendum as a mandate. Instead it has continually accused the Government of being afraid to face the right wing challenge and of acting illegitimately by not calling elections last year, within five years of April 1981.

Last year the Government was widely perceived to have lost thte political initiative. It seriously underestimated the depth o fblack anger at exclusion from the 1984 constitution and was taken aback by the speed with which a new broadly based anti-apartheid coalition, the United Democratic Front (UDF) sprang up to articulate and organise resistance throughout the country.

What also threw its carefully prepared "reform" strategy off the rails was the coincidence of heavily boycotted elections to the new coloured and Asian houses with the onset of the steepest economic recession since the war.

Political and economic discontent came together in September 1984 with violent rent riots on the East Rand. Ssince then South Africans have been involved in a low-level civil war accompanied by a dramatic increase in black politisisation, the re-emergence of the African National Congress (ANC) as a major factor in the South African power equation, and the growing international isolation of Pretoria.

All of this was accompanied by growings signs of a white backlash and the risk of a split in Afrikanerdom which would have jeopardised the power base of Afrikaner hegemony, and by extension of continuing white control.

This key principle of post-1948 white politics — that Afrikaner unity is essential if white satet power is to be preserved intact — is also the key to interpreting all that has happened since May 1986, in retrospect the beginning of the election campaign. The combing of alleged ANC bases in neighbouring Botswana, Zimbabwe and Zambia — scuppering the mediation efforts of the Commonwealth Eminent Persons Group (EPG) marked the end of Pretoria's attempt to gain domestic and international recognition for its reforms.

President P. W. Botha

The top priority moved instead to undercutting the growing support for the right-wing political and para-military organisations by moving the National Party itself bodily to the right and stealing the opposition's thunder.

On June 12 a new and wider state of emergency was re-introduced. This has since been further strengthened by new media curbs and restrictions aimed at preventing the development of "alternative" black education.

The elections will be partly a test of how tough security action which saw over 70,000 black opponents detained and harsh curbs on the media, has succeeded in dampening white fears as well as black aspirations. But they have also been preceded by a series of moves on the economic front aimed at boosting confidence. On November 7 President Botha met 200 top businessmen, minus his major business critics, to enlist their support for a programme of privatisation. It included deregulation of small business, large scale black housing development, efforts to beat sanctions by "inward industrialisation" and a determined search for non-traditional markets. Interest rates, including politically sensitive mortgage rates, were dropped sharply on December 10 in a move designed to boost consumer confidence.

Despite mounting sanctions and the exodus of foreign companies, like General Motors or Britain's Barclays Bank, external factors have also helped to create more favourable pre-electoral conditions. Foremost among these are higher gold, platinum and diamond prices and, above all in the conservative farming platteland, good rains which have finally broken the drought in many areas.

In short electoral prospects for the National Party, which at present holds 127 of the total 178 seats in the house of assembly compared with 27 for the Progressive Federal Party (PFP) and only 18 for the Conservative Party (CP), look much better than for a long time.

The main aim of the Conservative Party will be to gain enough seats to overtake the PFP as the official opposition. To do this it will need to forge an electoral pact of sorts with the Herstigte Nasionale Party (HNP), the original right wing breakaway party which only last year gained its first seat at the Sasolburg by-election.

To keep its position as the official opposition the PFP is seeking an electoral alliance with the dying New Republic Party (NRP), which has only five seats. It must also persuade nervous, mainly English speaking "liberal" supporters not to switch tactically to the NP where the latter is seriously challenged by the right.

At the end of what is expected to be a short but hard fought campaign, President Botha will almost certainly get his mandate. The question remains—for what.

After eight years in power Mr Botha and his Government, marginally rejuvenated and streamlined in a reshuffle two months ago, have nothing more imaginative to offer than "evolutionary reform" based on a mixture of coercion and attempted co-option of "moderate" blacks at a local government level and in an advisory capacity in the proposed "national statutory council."

Bold moves, like the release of ANC leader Nelson Mandela and the unbanning of the ANC, or even the scrapping of remaining apartheid pillars like the Group Areas Act, are not on the agenda—and right wing warnings of a "hidden agenda" are likely to be hotly denied during the campaign.

At the end of the day South Africa will probably be faced with more of the same. But it will find out just how powerful the white right wing really is for the first time. In the end this could determine the pace and direction of Government inspired change in the years ahead, as well as influenee the choice of a new National Party leader for the 1990s where the hard decisions about South Africa's future will have to be faced.

Zimbabwe will "soon" implement economic sanctions against South Africa, Mr Robert Mugabe, the prime minister, said in a New Year's eve address, Tony Hawkins reports from Harare.

Last year, Mr Mugabe said Zimbabwe would impose sanctions before the end of 1986, but he told the nation it had been necessary to delay the announcement pending the report of government task forces set up to develop a sanctions strategy.

While businessmen and some Western diplomats have welcomed the delay on the ground that it suggests some back-tracking by Mr Mugabe in face of overwhelming evidence of the adverse effects on the Zimbabwe economy of santions, it remains clear that Zimbabwe will impose a sanctions package within a few months.

● President Jeaquim Chissano of Mozambique said in his New Year message that South Africa had used anti-Marxist guerrillas "as an instrument of aggression against our country," and by driving peasants from their homes as a result, had been the major cause of a threatened famine.

Nigeria announces cautious budget to boost recovery

BY OUR FOREIGN STAFF

NIGERIA'S military leader, President Ibrahim Babangida, yesterday outlined a cautious budget for 1987 designed to reinforce an economic recovery programme drawn up with the support of the International Monetary Fund (IMF) and the World Bank.

Stressing the theme of austerity and self reliance, the President said that measures introduced over the past 12 months, which have included an effective 60 per cent devaluation of the naira, would "help to correct the long years of paying only lip service to national self reliance."

The President anticipated total revenue in 1987 at N17.8bn ($5.4bn), understood to be based on an expected average prices for Nigeria's oil of about $13 per barrel. Oil accounts for over 90 per cent of the country's export earnings.

The price is well below the Opec target of $18 per barrel, but government economic planners said they wished to err on the side of caution.

The President's speech did not provide detailed budget figures. These will be released today

General Babangida said the slump in international oil prices last year had caused serious difficulties for Nigeria, and the balance of payments deficit on the current account was estimated at N760m, compared to a N1.1bn surplus in 1985.

The President said Nigeria would continue to limit repayments of external debt to 30 per cent of export earnings, a measure introduced in the budget a year ago. Over the past few months the Government has managed to reschedule a substantial proportion of the country's estimated total external debt of $22bn, concluding negotiations with western commercial banks and government creditors.

In a separate development, the Nigerian News Agency reported that Nigeria Airways is to be divided into three companies in an effort to put the heavily indebted airline on a viable footing.

Among its debts is over $12m owed to the ticket clearing-house of the International Air Transport Association (IATA). The association last month suspended Nigeria from its ticketing facilities. Nigeria Airways can no longer issue tickets for points beyond the cities served directly by the airline.

The agency said that under the restructuring, a new Nigeria Airways would handle international flights, a separate airline would operate domestic travel and a third company would be responsible for cargo services.

Bonn TV broadcasts wrong Kohl message

By Andrew Fisher in Frankfurt

THERE were red faces all around at West Germany's main television channel yesterday and angry comments from the Bonn Government, after the network showed the wrong New Year's message by Chancellor Helmut Kohl.

Instead of transmitting the message for 1987, the ARD channel broadcast one that was a year out of date. The outdated speech was shown in full, with Mr Kohl wishing viewers a peaceful 1986.

An irate Mr Friedhelm Ost, the Government spokesman, said the Government was outraged. He demanded an apology from ARD, which was intending to broadcast the correct message last night. The right speech was shown on ZDF, the second channel.

ARD said it regretted the error. Mr Ost said that those responsible for it should be made to answer. The showing of the wrong message was an insult to viewers, he added.

It could not just be explained away as a technical mistake, he said. With a general election to be held later this month, he implied that the broadcast could have resulted from political motives.

The television channel said the incident appeared to have been a genuine mistake. The message was pre-recorded for showing on both the main West German networks.

ARD put out the 1986 Kohl message just before its New Year's Eve variety concert.

Kabul orders ceasefire from January 15

AFGHAN leader Mr Najibullah has ordered a cease-fire beginning on January 15 in the more than seven years of war between his Soviet-backed Government and Moslem guerrillas, the official Kabul Radio reported yesterday, *Reuter reports from Islamabad.*

But Mr Najibullah warned that his Government would respond if the guerrillas continued to fight in any part of the country, the radio said.

Guerrilla leaders have said they will accept nothing less than the complete withdrawal of Soviet forces and would establish an Islamic government.

The radio, monitored in Islamabad, quoted him as telling the Communist Party central committee that the cease-fire would be temporary but could be made permanent by national reconciliation. The radio did not say when the meeting was held.

The Kabul Government has been backed by about 115,000 Soviet troops since the December 1979 Soviet intervention to prop up Afghanistan's Government.

"National reconciliation begins with ceasefire," the radio quoted Mr Najibullah as saying in his speech. It broadcast excerpts after the main night bulletins which did not mention the reference to a ceasefire.

"At national level, the cease-fire will be effective from January 15," he said, adding: "If someone continues to fire, he will get the response that will be satisfactory."

The announcement was made six days after the seventh anniversary of the Soviet intervention.

Mr Najibullah said during a visit to Moscow last month that he planned to set up a Government of national unity which could include Afghans living abroad.

On Monday, he was quoted by the Soviet Communist Party newspaper Pravda as saying that Kabul was ready to talk with the rebels.

Mr Najibullah, a former secret police chief who became general secretary of the People's Democratic Party of Afghanistan (PDPA) in May, has tried to present his government as a broad-based coalition acceptable to all Afghans.

The PDPA Central Committee plenum in Kabul "fully endorsed the policy of the party on national reconciliation," the official Bokhtar news agency reported yesterday.

"This was considered as one of the most important tasks of the party, state and the people of Afghanistan," the report added.

NY State votes on greater role for banks

BY WILLIAM HALL IN NEW YORK

THE NEW YORK State Banking Department, which regulates the affairs of some of the biggest banks in the US, has ruled that New York State chartered banks, such as Morgan Guaranty Trust and Bankers Trust, can underwrite securities.

The decision, which came in the form of an interpretation of a New York State law, is likely to highten the debate about the continued usefulness of the Glass-Steagall Act, the more than 50-year-old Federal law prohibiting commercial banks from engaging in a wide range of investment banking activities.

The New York State Banking Department, which was asked by several New York banks to interpret the state's own version of the Glass-Steagall Act, has indicated that subsidiaries of state chartered banks may legally conduct up to 25 per cent of their business activities in securities underwriting.

The Federal Reserve, the senior US banking regulatory authority, forbids US banks from engaging in most types of investment banking activities, but is under increasing pressure to relax its position to allow US commercial banks to compete more effectively with Wall Street investment banks.

The significance of the New York move is mostly symbolic since it is unlikely that Bankers Trust and Morgan Guaranty Trust, two of the most reputable banks in the US, would risk incurring the wrath of the Federal Seserve by going ahead and setting up a securities underwriting subsidiary in defiance of the Federal Reserve's current position.

Belgium agrees plan to cut pit losses

The Belgian Cabinet has agreed a plan designed to cut losses sustained by the country's coal mining industry, government officials said yesterday, Reuter reports.

The plan reduces the flow of state cash to the industry, the most heavily subsidised in the European Community from BFr 8.5bn (£146m) a year at present, to BFr 4bn in 1996, and involves the loss of 8,200 jobs through pit closures.

Tamils to form party

Sri Lanka's largest guerrilla group will soon form a political party to press its demand for an independent Tamil state, Mr Sathasivam Krishnakumar, northern commander of the Liberation Tigers of Tamil Eelam, said yesterday, Reuter reports from Colombo.

Details would be announced later this month, he added.

Mr Krishnakumar said the party's aim was to win the support of the Tamil people for the homeland of Tamil Eelam.

Lebanon camp war

Palestine Liberation Organisation (PLO) Chairman Yasser Arafat said yesterday that 80,000 Palestinian refugees had so far been forced out of camps in Lebanon in the current fighting there, Reuter reports.

The "camps war" between Palestinians and Shi'ite Moslems from the Lebanese Amal militia group has been raging for the past three months, killing more than 700 people.

● Israeli troops fired rubber bullets at Palestinian protesters yesterday during clashes marking the 22nd anniversary of the founding of the PLO's mainstream Fatah branch.

Marcos warns Manila

Ousted president Ferdinand Marcos urged Filipinos yesterday to stop Americans meddling in the counry's affairs as he said they had when he was "practically kidnapped" and taken to Hawaii in February, Reuter reports from Manila.

In a New Year radio broadcast from Honolulu, he warned of "a violent explosion" and a possible Communist takeover in the Philippines in 1987.

Fewer die in air

Last year was one of commercial aviation's safest years, after a rash of airline crashes in 1985 that claimed more than 1,600 lives worldwide, industry officials said yesterday, AP reports from Washington.

Although official figures are not yet compiled, unofficial estimates showed nearly 500 people killed in airline accidents in the past year.

US launches inquiry into Contra 'cocaine smuggling'

BY LIONAL BARBER IN WASHINGTON

A CONGRESSIONAL committee is investigating allegations that Contra rebels in Nicaragua have been involved in cocaine smuggling and gun-running.

The House Judiciary Sub-Committee on Crime Investigation is one of several Congressional inquiries launched since the Reagan Administration announced that up to $30m profits from secret arms sales to Iran had been siphoned off to the Contra rebels.

Allegations of Contra involvement in narcotics trafficking appeared in a report drawn up last year by Sen John Kerry, a Massachusetts Democrat. The illegal trade was allegedly aimed at raising money for the cash-starved rebels when official US aid was cut off by Congress.

Separately, some $2m of the $4m paid by Iran in late October for the last shipment of US arms—delivered just before the release of the American hostage David Jacobsen—has gone missing, according to a report in yesterday's Washington Post.

Canada to put 15% tax on lumber shipments to US

BY LIONAL BARBER IN WASHINGTON

CANADA has agreed to impose a 15 per cent export tax on softwood lumber shipments to the US, resolving a bitter trade dispute.

The tax takes effect from January 8 but may boost the price of new homes in the US.

The Canadian lumber industry attacked the agreement which was reached after 48 hours' talks in Washington on Wednesday morning.

Mr Adam Zimmerman, president of Macmillan Bloedel, Canada's largest forest company, said "in one step, it creates an industrial paraplegic out of the lumber industry."

The US lumber industry had complained that fees charged by Canadian provinces for cutting lumber in government-owned forests were so low as to represent an unfair subsidy, thereby undercutting US prices.

The US Commerce Department had threatened to impose a 15 per cent tariff on Canadian softwood imports if a voluntary agreement had not been reached by midnight last Tuesday.

Lavi flies into cloud of doubt over funding

BY OUR JERUSALEM CORRESPONDENT

ISRAEL'S Lavi fighter took to the skies for the first time on Wednesday and flew into a cloud of uncertainty about future funding for its development and production.

Research and development have already taken over seven years and cost over $1bn (£709m).

Dr Dov Zakhdeim, the Pentagon official who was assessing the Lavi project, is due in Israel shortly to present other proposals for Israel's next generation of fighter aircraft.

These are expected ot include a modified and updated version of the F-16 already in service with the Israeli Air Force which would incorporate much of the aviation electronics developed for the Lavi.

The Pentagon fears the US will have to bear the burden of the cost overruns it predicts for the Lavi. Israel puts a unit price of $15m on the aircraft, whereas the Pentagon believes the price will be near $22m.

● Sluggish growth and high private spending characterised the Israeli economy in 1986, according to the National Accounts estimates released by the Central Bureau of Statistics.

Israel's gross domestic product rose only 1 per cent last year, after a 2 per cent increase in each of the past two years, with industrial productivity showing no increase whatsoever.

Private consumption rose by 12 per cent, almost approaching its record high of 1983.

Total investment declined by 7 per cent, largely due to the sharper downturn in residential construction which has characterised the past few years.

Israel's imports rose by 15 per cent in 1986, while exports went up by only 6 per cent. Although slumping world oil prices save the country an estimated $600m, the trade deficit, excluding military imports, expanded by $620m to $2.8bn. Taking military imports into account, however, the deficit remains stable at its 1985 level of $4bn.

Yugoslavia aims for 3% economic growth this year

By Aleksandar Lebl

YUGOSLAVIA will aim for 3 per cent economic growth in 1987, and hopes to boost export growth by 4.5 per cent while keeping the rise in imports to 4 per cent. Industrial production is expected to grow by 3.5 per cent.

The federal parliament has just approved these targets which represents a lowering of earlier, more ambitious targets which the Government dismissed as unrealistic.

The plan for the coming year also includes agricultural growth of 2.5 per cent, investment growth of 4 per cent, employment growth of 2.2 per cent and a 1.1 per cent rise in labour productivity.

Moscow's Reagan message

BY PATRICK COCKBURN IN MOSCOW

THE Soviet Union yesterday broadcast part of President Ronald Reagan's New Year's address to the Soviet people on Moscow radio but the US embassy claimed that his original broadcast on Voice of America was heavily jammed.

Earlier Mr Gorbachev had declined an exchange of New Year speeches between himself and President Reagan as happened at the beginning of 1986.

A Soviet spokesman said that the state of US-Soviet reations did not merit celebrating them by broadcasts.

The seven minute excerpts in Russian translation of President Reagan's speech quoted on human rights but omitted his expression of regret that he and Mr Gorbachev were not able to exchange New Year messages.

Chile exiles can return

Chilean President Augusto Pinochet announced yesterday that he would allow most exiled political opponents to return home and would not renew a state of siege when it expired next month, Reuter reports from Santiago.

The state of siege, the second toughest in a battery of emergency measures open to the military government, was declared hours after a failed attempt on the life of General Pinochet on September 7 in which five of his bodyguards were killed.

A left-wing guerrilla group, the Manuel Rodriguez Patriotic Front (FPMR), claimed responsibility for the attack on the general, the first in 13 years of military rule.

General Pinochet, in an end-of-year speech, said that most exiled political opponents would be permitted to return to Chile over the next 90 days.

Singapore premier sees 3-4% growth this year

BY STEVEN BUTLER IN SINGAPORE

SINGAPORE'S economy grew by 1.9 per cent last year, Mr Lee Kuan Yew, Singapore's Prime Minister, said in a New Year message.

The positive growth indicates that Singapore has turned around from the deep recession that struck in 1985. Mr Lee, however, said the buoyancy of previous years would not return in 1987, and predicted the economy would grow by only 3-4 per cent this year.

The recovery has been led by the manufacturing sector and by transport and communication. Commerce, financial and business services and construction remain a drag on the economy.

"We had 1.9 per cent (growth) with half the economy standing still," Brig-Gen Lee Hsian Loong, Trade and Industry Minister, who is also the Prime Minister's son, said.

● The Singapore Government has rejected an appeal from Time Magazine to lift an order that has severely curtailed its circulation there.

The order was invoked after Time refused to publish unedited a letter corecting alleged factual errors in an article about Singapore's political opposition.

Iraq savours timely propaganda coup

BY OUR JERUSALEM CORRESPONDENT IN UMM AL RASSAS, IRAQ

IRAQ is starting 1987 with a savoured propaganda coup following one of its more difficult years in the six-year conflict with Iran.

Foreign journalists, joined by Iraqi notables, are being brought to the marshy island of Umm al Rassas, in the Shatt al Arab waterway dividing the two adversaries to view the site of the latest battle in the war.

Iraqi officials say more than 50,000 Iranians attacked Umm al Rassas and four other small islands as part of a "ferocious" Christmas eve assault along a 40 km stretch of the border from around Abadan in the south to a point 13 kms west of Basra, Iraq's second largest city. Basra is the predicted target of the "final offensive" Iran has been threatening for months

Iraq says last week's attack was meant to be the start of that offensive and that the Iraqi forces resoundingly defeated it in less than two days. Lt Gen Maher Abdel al Rashid, commander of the Iraqi Seventh Army Corps, said Iraq took "hundreds" of prisoners and killed "thousands" of Iranians while its own casualties were fewer

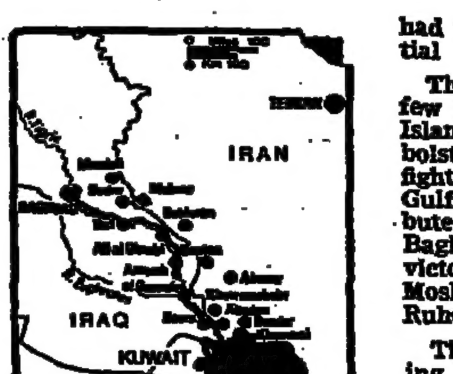
Reporters were shown about 200 Iranian prisoners, many of them appearing to be in their low teens. The POWs were wearing thin cotton fatigues and shivering with cold and a number of them appeared to have fresh wounds.

Reporters were also shown piles of weapons and equipment said to have been captured last week including frogmens' flippers made in England and Italy, and Soviet designed rifles, many of which looked too rusty and delapidated to have been used recently.

Journalists saw just three bodies and a freshly bulldozed patch of ground said to cover the other corpses. Gen El Rashid offered to exhume the bodies but the journalists demurred.

Diplomats in Baghdad and officials in Washington believe the fighting was on a smaller scale than the Iraquis have said. They also express doubt that the fighting was meant to be the start of Iran's 'final offensive." They suggested it was a more limited probe of Iraqi defenses meant also to avenge the deaths of hundreds of Iranians in Iriqi air raids last month.

Diplomats agreed, however, that the Iraqi victory was a timely propaganda coup for the Government of President



Saddam Hussein, providing an upbeat finale to a year in which Iraq lost the Faw Peninsula at the mouth of the Shatt al Arab and the Iranian town of Mehran on the central front, which Iraq had taken and held as a potential bargaining chip for Faw.

The recent victory comes a few weeks before a summit of Islamic nations and should bolster confidence in Iraq's fighting ability among Arab Gulf nations that have contributed billions of dollars to the Baghdad regmie to avert a victory by the radical Shi'ite Moslem forces of Ayatollah Ruhollah Khomeini.

The Iraqis are also portraying their rebuff of the Iranian attack as evidence that the recently revealed US arms sales to Iran have not given the Iranians an edge in the war. Iraq also receives US help — satellite intelligence that has heped its air force stage punishing raids on Iranian oil and other installations in the past six months.

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OVERSEAS NEWS

Tokyo brushes off fears over growth raised by austere budget

BY CARLA RAPOPORT AND IAN RODGER IN TOKYO

THE JAPANESE Government claims there will be lots of pep in Japan's economy this year in spite of the adoption this week of an austere budget that freezes overall Government spending.

The budget was otherwise notable for its approval of a 5.2 per cent increase in defence spending, which means that Japan's defence outlays will just break through the 1 per cent of gross national product (GNP) ceiling set 10 years ago. This move is certain to be bitterly debated in the Diet (parliament) in the next few months.

Mr Yasuhiro Nakasone, the Japanese Prime Minister, said on Wednesday that the Government had to choose between respecting the guideline and sticking to its 10-year military build-up plan agreed last year. In his view, the military situation around Japan made the build up essential.

The budget anticipates overall revenues of Y43,500bn (£186.3bn) in the year beginning April 1, 1987, up 1.6 per cent on the current year. Overall spending would rise only 0.1 per cent to Y54,101bn. The budget's austerity is in line with the Government's determination to bring spending into line with revenue by 1990 and begin reducing Government indebtedness. Debt service costs will amount to 26 per cent of fiscal 1987 revenue.

Most private sector economists fear that the effect of

Nakasone—essential buildup

the budget means that the Japanese economy will grow very slowly next year, perhaps by less than 2 per cent. They say the high yen will prevent much of the manufacturing sector from expanding, while the lack of Government stimulus will leave the domestic economy sluggish.

The Government disagrees, arguing that while its own public works spending will decline by 2.3 per cent, it has authorised capital spending loans from the postal savings system to the private sector of Y27,081bn, up 22.2 per cent. This increase in the so-called fiscal investment and loans programme means that the total increase in public works spending will be more than 5 per cent.

That, plus Tokyo's encouragement to local authorities to raise capital spending, should enable the economy to grow by 3.5 per cent, the government says.

The other sector to enjoy a significant increase in the budget is foreign aid. Government officials said the 5.8 per cent increase in its official development assistance to Y658bn in fiscal 1987 would enable it to stay on target to honour its pledge to spend $40bn on overseas development assistance between 1986 and 1993.

The 1987 budget calls for a cut in public works spending to Y6,000bn, from Y6,200bn this year.

Other areas which will face smaller allocations include energy projects, down 21.4 per cent, small business incentives, down 3.8 per cent and food subsidies, down 4.1 per cent. Government allocations to local governments will be held unchanged at Y10,184bn.

Areas which will enjoy a higher budget allocation to defence and foreign aid include social security, up 2.6 per cent, and pensions, up 2.5 per cent. Increased spending on pensions and social security reflect the rapidly ageing population in Japan, something which Japanese officials say will become a more pressing problem as the century draws to a close.

France awards FFr 950m loan to Indonesia

By John Murray Brown in Jakarta

FRANCE this week signed a FFr 950m (£101m) concessionary loan agreement with Indonesia, just inside the year-end deadline for French aid allocations. The agreement is part soft loan and part export credit, supported by Coface, the government's credit insurance agency.

Tied to French project costs in Indonesia, the package was signed in Paris by Mr Daniel Lebegue, director of the French Treasury at the Ministry of Finance.

France, past master of the mixed credit, follows Japan, the UK and the US and West Germany in meeting Indonesia's aggressive loan terms introduced by President Suharto in 1984.

Indonesia has recently won terms which involve repayments over 25 years, a seven-year grace period and an interest rate of 3.5 per cent.

Alcatel, the French telecommunications group, is pursuing a 240,000 telephone line contract for rural Indonesia, said to be worth as much as $1bn.

Last year Japan provided Indonesia with $850m in soft loans while the UK reached a £140m agreement in July.

West Germany agreed terms on a DM 300m mixed credit package, of which DM 100m is soft loan.

The US Exim Bank has offered a $100m soft loan, still to be agreed.

Punjab deaths rise to 697

SUSPECTED Sikh extremists have killed three Punjab electric utility workers in continuing separatist violence in the north Indian state, Reuter reports from New Delhi.

The killings brought to at least 697 the number of people killed in Punjab during 1986 in violence connected with extremists seeking an independent Sikh homeland.

Dragonair orders two MD11s from McDonnell

BY DAVID DODWELL IN HONG KONG

DRAGON Airlines of Hong Kong, the 20-month-old aviation group controlled by Sir Yue-Kong Pao, has ordered two McDonnell Douglas MD11s at a cost of about $200m (£136m). It also has an option to buy a third MD11.

Dragonair is one of 12 airlines to order MD11s since McDonnell-Douglas of the US confirmed on December 29 that it would go ahead with plans to produce the three-engine, wide-bodied aircraft. McDonnell Douglas has so far won 52 firm orders, and 40 purchase options.

The purchase — for delivery in 1992 — amounts to a major statement of faith in Dragonair's future. The group is now operating just two leased Boeing 737s and has been blocked in all of its efforts to win licences for long-haul routes.

The group, which was launched with an injection of HK$500m in April 1985 by a group of prominent Hong Kong businessmen, has upset the British territory's establishment by breaking the monopoly of Cathay Pacific Airways as a Hong Kong-based carrier.

It has so far won the right to operate charter flights to six destinations in China, and scheduled flights to three destinations in Thailand. It has been controlled by Sir Y. K. Pao since a reshuffle of shareholdings 14 months ago.

Applications to operate routes to Peking and Shanghai in China, and to a number of European destinations, have been refused after fierce protests from Cathay Pacific, which until a year ago was the only Hong Kong-based aviation group and is still regarded as the territory's flag-carrier.

Only two weeks ago, Dragonair applied to Hong Kong's Air Traffic Licensing Authority (ATLA) for licences to fly to Guam, Nepal, four cities in southern Japan, and a further 14 destinations in mainland China.

Unbowed by past failures to win licences to operate services to London, it has made fresh applications to operate services to London Stanstead, Manchester, Glasgow and Birmingham, all via Copenhagen. It is also pressing for licences to serve a number of southern European destinations.

Mr Steve Miller, Dragonair's general manager, yesterday appeared unworried by the commitment to substantial investment without any guarantee as yet that the airline will win rights to operate long-haul routes: "This is a long term game, and you have to plan ahead," he said: "We will get long haul traffic rights, there is no doubt about it.

"The order represents the confidence of the shareholders of Dragonair, and shows they are serious about the long-term future of the airline."

The group has made substantial losses over the past year as it has fought to build up a network of services

Dhaka fisheries offer

BANGLADESH will allow foreign companies to form joint ventures with Bangladesh is to exploit the nation's potentially rich fishing grounds in the Bay of Bengal, Reuter reports

Mr Sirajul Hossain Khan, the Fisheries and Livestock Minister said Bangladesh would allow foreign fishing operations in its 117,000 sq km exclusive fishing zones with joint ventures giving a 51 per cent share to the Bangladesh partner.

Bangladesh currently earns about $90m a year from fish exports, mainly to the European Community, the US and Japan.

Taiwan's economic growth will hinge on protectionism, $ rate

TAIWAN'S chances of meeting its economic growth target this year are threatened by its currency's persistent appreciation against the US dollar and by protectionist moves by the US, say economists and government officials Reuters reports from Taipei.

Taiwan has targetted gross national product (GNP) growth at 8 per cent in 1987, after an estimated 10.81 per cent in 1986.

Pressure on Taiwan to further revalue its currency will remain strong this year due to its huge trade surplus with the US, officials said.

The surplus was expected to hit a record $13.5bn in 1986, up from $10.2bn in 1985, the officials and economists said.

They said the Democrat-dominated US Congress was expected to introduce bills aimed at restricting imports from countries with big trade surpluses with the US.

Mr Wang Chou-ming, vice-chairman of the Government's Council for Economic Planning and Development, said the official growth target assumed an exchange rate of 35 Taiwan dollars to US$1. "Whether we would maintain the exchange rate we hope for remains a question," he said.

On Tuesday, the local dollar rose 6 cents against the US unit to 35.50, its highest level since February 9 1981.

If the Taiwan dollar hits 34 to the dollar, then GNP growth will fall to 7.5 per cent and if it goes to 33 or 32, then GNP will expand by only 5 to 5.5 per cent, Mr Wang said.

"Our exporters would be badly hurt if the Taiwan dollar continues to rise because they could not compete with their South Korean counterparts in the US market," he said.

The US is Taiwan's largest trading partner. The measures were approved by Parliament on Tuesday and are due to be introduced in early January.

He said Taiwan had revalued its dollar by about 12 per cent against the US dollar since September 1985, while South Korea raised its currency by only about 3 per cent during the same period.

Mr Keh Fei-lo, a senior economist at First Commercial Bank, said export growth would fall to under 15 per cent this year from 30 per cent last year if the local dollar rose to 34 to US$1.

Total exports were expected to reach a record $40bn last year, up from $30.7bn the previous year, and were forecast at $45.6bn this year, he said.

The Government has announced plans to boost imports from the US and narrow its trade surplus with that country in 1987 by some $2bn. The US is Taiwan's largest trading partner. The measures were approved by Parliament on Tuesday and are due to be introduced in early January.

The measures include import tariff cuts of up to 50 per cent on some 1,700 foreign goods and allowing imports of beer, wine and cigarettes from the US and the EEC.

Mr Keh said the measures were not enough to head off growing US protectionism and urged more steps be taken, including easing controls on foreign exchange and overseas investment.

He added that otherwise, the local dollar would continue to rise further against the US dollar.

A recent survey by his bank showed that textiles, footwear, rubber and plastics would have difficulty facing protectionism and a stronger Taiwan dollar, Mr Keh said.

UK NEWS

Managers pay £51m for Fairey businesses

BY TERRY POVEY

PEARSON, THE industrial, banking and publishing group, has disposed of the last and biggest part of its Fairey engineering division through a £51m management buy-out completed on New Year's eve.

The deal is significant as it was the first to be financed by the £260m fund set up a year ago by Candover Investments to back large management buy-outs. Candover was formed in 1980 with the aim of organising and financing buy-outs and providing development funds for unlisted companies.

Earlier this year Pearson, which owns the Financial Times, made clear its strategy of concentrating on "businesses where we see long-term competitive advantage." The main areas of the diversified holding company's continuing activities are in publishing and communications, fine china, merchant banking and oil services.

At its peak in 1984 Fairey contributed £14.1m to Pearson's trading profits. It was up for sale for most of last year. In April, Fairey's military bridge and nuclear operations were sold for £22m and later £455,000 came from the sale of Fairey Marine.

Mr Derek Kingsbury, who was chief executive of Fairey and is leading the buy-out team, said yesterday that while he felt "a little sad that a major UK company was withdrawing from engineering, we were determined to keep the core of Fairey as a strong and independent unit."

The newly-independent company has four main businesses – aerospace products, ceramics, filtration and electronics. Mr Kingsbury said that his management team had had to compete with various offers and wanted to "give credit to Candover for financing more than half of the deal."

Some £30m to back the £51.5m buy-out, which includes the repayment of a £7m inter-group loan, was provided by the Electra Candover Direct Investment Plan, to which 35 institutions have committed funds.

Mr Roger Brooke, chief executive of Candover, said that "after a year of being beaten by corporate offers, we were very pleased to be able to conclude this deal, and we expect to be announcing a slightly smaller one in the next week." The rest of the funding for Fairey was arranged through bankers Samuel Montagu.

Europe 'set for economic growth'

THE CHALLENGE for industrial economies this year will be to translate increases in real incomes into higher domestic production and capacity in order to provide a much-needed boost to employment prospects, the Oxford Economic Forecasting group says in its latest review.

The outlook for the major economies suggests a similar performance to 1986, with both output and prices rising by an average 2½ to 3 per cent.

A slight acceleration in the pace of output in West Germany is expected to be accompanied by a much stronger recovery in both Italy and France.

West Germany's economy is forecast to expand by 2.9 per cent in 1987 compared with 2.7 per cent last year. The growth rate in France may accelerate to 3.1 per cent this year from the 2.2 per cent seen in 1986, while in Italy it could rise to 3.3 per cent from 2.6 per cent.

In Britain the prospect is for economic growth of 2.4 per cent in 1987 compared with 2.1 per cent last year, the Oxford Group says. In parallel, Britain may face a temporary deficit on the current account of the balance of payments of around $3bn and a rise in its inflation rate to 4.7 per cent, 2 percentage points higher than the average for the main economies.

THE GOVERNMENT'S proposal to give creditors the right to sue for interest on unpaid debts has been given the support of the Confederation of British Industry (CBI), the UK employers organisation.

Mr Norman Rose, CBI deputy director of company affairs, said yesterday: "We feel it is unfair for creditors to be done out of their right to interest where debts are settled just before proceedings are started. We believe they should have the right to sue for such interest, and that awards should be left to the discretion of the court."

The employers' backing for the Government move, announced recently by Mr David Trippier, junior minister at the Department of Employment, does not extend to the major change advocated by Mr Richard Ottoway, Conservative MP, which would give creditors an unqualified statutory right to interest.

The CBI's move is part of a new campaign to encourage early payment of bills, on which it will be publishing shortly a guidance booklet setting out "best practice" for all sizes of companies.

□ SMALL British companies have been effectively denied access to over £1bn worth of low cost loans from the European Community, according to the Confederation of British Industry (CBI).

Mrs Jean Parker, chairman of the CBI's Smaller Firms Council, said the Government's withdrawal of currency exchange risk cover for loans in the past 18 months meant small British companies could not obtain them.

This was despite the fact that the British Government was instrumental in making cash available for the loans during its presidency of the community.

□ LLOYDS Merchant Bank says that Mr Nigel Lawson, the Chancellor of the Exchequer, should be able to cut income tax by 2p in the pound in his spring budget. If oil prices were to hold at around $18 a barrel, a 4p cut to 25p could not be ruled out, says the bank in its latest economic review.

Lloyd's says that 1987 will be a year of strong growth and buoyant consumer spending in Britain.

□ LONDON Daily News, the new London newspaper to be launched on February 10, has appointed a deputy managing director. He is Mr Jeremy Thompson, who used to be operations director of Mirror Group Newspapers, publishers of the London Daily News. Mr Thompson left MGN to launch the Racing Post in competition to MGN's Sporting Life.

Business failure rate continues to fall

BY RAYMOND SNODDY

BUSINESS failures in England and Wales fell last year for the second consecutive year. The latest survey by Dun & Bradstreet, the business information group, shows that business failures dropped by 1.3 per cent to 20,680.

Company liquidations fell to 13,689, a decrease of 674 on 1985. Bankruptcies among individuals, firms and partnerships rose by 411 to 6,991 during 1986.

In England, London and the South East were the worst hit with 6,903 company liquidations, a 4 per cent rise. This accounted for 50.4 per cent of the total in England and Wales. Bankruptcies in the area rose by 103 to 1,970, a 5.5 per cent rise.

The North East was particularly badly hit with an 18.7 per cent rise in bankruptcies compared with last year.

Dun & Bradstreet believes the depression in the steel, chemical, shipping and heavy engineering industries affected not only the large companies but the small businesses which serve them.

Mr Keith Williams, managing director of Dun & Bradstreet, said that although the figures on overall business failures were optimistic, "the picture is still gloomy for small businesses."

The 6.2 per cent rise in bankruptcies had occured despite a fall in the number of new businesses applying for VAT registration.

Dun & Bradstreet's constant experience showed that those running small businesses tended to lack basic financial control and marketing skills.

Building societies tread cautious path into new markets

BY HUGO DIXON

BIG BANG came to Britain's towns and cities yesterday. The 1986 Building Societies Act came into force and unleashed potentially the most dramatic changes the retail financial services industry has seen for decades.

How will the societies, which between them control £137bn in assets, adapt?

Many of the partitions which artificially separate building societies from other financial institutions and determine what businesses they may engage in are being removed. Societies will be able to move into four areas previously the preserve of other institutions: banking, investment, housing and insurance services.

This will lead to a new spate of competition, allowing societies to fight back against banks. These have moved aggressively into societies' traditional savings and home loans markets, carving out market share and squeezing margins.

This is good news for consumers: already they are being paid better rates for their savings; in the future, they can expect to pay less for personal loans. They will also be able to get more services from a single outlet.

The societies realise they cannot stand still and watch the profits on their traditional businesses being eroded. But they lack both the human and financial resources to move into new markets which are more complicated and riskier, and are taking a cautious approach.

Some are emphasising estate agency, arguing that there are advantages in offering an integrated house-buying service and that estate agents are good outlets for selling mortgages and other financial services.

Others believe estate agency prices are inflated and so are making their major thrust banking services. Yet others are pushing investment services, arguing that the retail customer is becoming sophisticated and wants more than a savings account.

THE NEW SERVICES

BANKING
Money transmission
Cheque guarantee cards
Foreign exchange
Unsecured lending
Overdrafts
Credit cards

HOUSING
Estate agency
Property transfer
Surveys and land valuation
Property development

INVESTMENT
Stockbroking
Personal equity plans
Unit trusts
Pensions
Insurance advice

The National and Provincial Building Society has the most ambitious plans: it will be installing share-dealing terminals in its branches and selling personal equity plans.

Whichever way they decide to diversify, all societies will be paying a greater attention to profitability. They are being forced to not only by competition but by the Building Societies Commission, the industry's new regulatory body, which is requiring them to set aside large amounts of capital before they can move into new businesses.

Concern for profit has already been given as the main reason behind the record £16bn merger plan between the Nationwide and the Anglia, announced last month. The enlarged society, both parties argue, will be able to get its branches to work harder, cutting unit costs.

If the eight or so second-rung societies, which are too big to be regional but too small to be national, and the countless small societies with no particular speciality see the need for further mergers, rationalisation should proceed fairly smoothly. If not, there could be blood on the floor.

How Eden plotted the downfall of Nasser

John Hunt looks at Cabinet papers 30 years after the Suez crisis

THE WAY in which Sir Anthony Eden, the Conservative Prime Minister and Mr Selwyn Lloyd, the Foreign Secretary, misled parliament and the country over the Suez crisis in 1956 is disclosed in the Cabinet documents for that year which have been released by the Public Record Office.

The documents, now available for scrutiny under the 30-year rule, give the lie to the official line of the Government repeated by Sir Anthony in his broadcast to the nation – that British and French forces had invaded Egypt in November in order to separate the Israeli and Egyptian forces and stop the fighting.

They show that leading members of the Government had decided much earlier in the year that Col. Nasser, the Egyptian president who nationalised the Suez canal on July 26, must be toppled from power and a Government sympathetic to Britain established in his place. It was recognised that military force would have to be used.

Although no direct evidence of collusion between Britain, France and Israel, emerges from the papers, it is clear that the Cabinet was told that an Israel attack on Egypt was imminent shortly before Israeli troops crossed the Egyptain border on October 29. However, the Cabinet was not told what has since become known – that Mr Selwyn Lloyd secretly visited Sevres, a Paris suburb in October, to meet French and Israeli leaders to discuss a joint attack against Egypt.

An indication of the Government's early intention to use force came at a meeting on July 30 of the Egypt Committee, an inner group of ministers under the Prime Minister. It states: "While our ultimate purpose was to place the canal under international control, our immediate objective was to bring about the downfall of the present Egyptian Government."

A meeting of the committee on August 2 shows that an Israeli attack on Egypt was seen as desirable. The meeting was attended by Mr Harold Macmillan (later Earl of Stockton) who died earlier this week. He was then Chancellor of the Exchequer. He said that consideration should be given to the possible reaction of Israel to any Anglo-French operation against Egypt. It was important that other Arab states should not come to the aid of Egypt – "on the other hand it would be helpful if Egypt were faced with the possibility of a war on two fronts."

There was another revealing note of a meeting on September 5 of a second Egypt committee staffed by top civil servants, under Sir Norman Brook, Cabinet Secretary. It drew up a draft political directive for the British comander-in-chief of an invasion force.

It emphasised the need for a "well disposed" Egyptian Government in Cairo and said it might well be necessary to occupy the headquarters of any resistance which will be in Cairo and to depose the Government which directed it. The force despatched to Cairo would have to be accompanied by a political adviser and his staff arranged by the Foreign Office.

"Their task as soon as effective military control of the capital has been established will be to bring about the formation of a new Egyptian Government which will disavow Col Nasser's policies, order co-operation with the allied forces and be ready to negotiate an international regime for the Suez Canal. Any Egyptian attempt to overthrow this successor Government would have to be crushed."

It goes on "It is possible that Israel may take advantage of the situation to attack Egypt, or more probably Jordan. In the latter case, the Egyptian forces in Sinia might attempt to attack Israel. It is politically most important that there should be no association or appearance of association between your forces and Israeli forces."

On October 16, Eden and Selwyn Lloyd, met Mr Guy Mollet, the French Prime Minister in Paris, and at the Cabinet meeting on October 18 Eden gave some broad hints that any Anglo-French military action would take place in concert with Israel. He said that if Israel contemplated a military operation against the Arabs, it would be far better from Britain's point of view that they should attack Egypt and he had reason to believe that if they made any military move it would be in that direction.

He had, therefore, told Israel – through the French – that in the event of hostilities the UK would not come to the assistance of Egypt.

On October 24 the Cabinet was told that if an Anglo-French operation was launched it could be assumed that Israel would make a full-scale attack on Egypt. On October 25 Eden told the Cabinet that the Israelis were advancing their preparations for an attack on Egypt and "we must face the risk that we should be accused of collusion with Israel."

By November 6, the day after British paratroops landed in Egypt, there was a note of panic in the Cabinet minutes. The Foreign Secretary reported that the Government had received a menacing letter from Soviet President Bulganin. Selwyn Lloyd warned that if the military operation continued, Britain must reckon with the possibility of a Soviet invasion of Syria, or some other area of the Middle East and "possibly a direct Soviet attack on the Anglo-French force in the canal area."

After a ceasefire a gloomy Cabinet discussion took place on November 8. There were recriminations that none of Britain's objectives had been obtained; the canal was blocked, oil supplies and troops were at risk while the Government position in the House of Commons was vulnerable.

In a fitting postscript there was a message from General Sir Charles Keightley, commander of the invasion force, who was worried about the morale of his troops as a result of media reports which threw doubt on the value of the military operation. The best the Cabinet could do was to advise him to tell the troops that their successful landings had stopped hostilities between Israel and Egypt and had stimulated the UN into taking action.

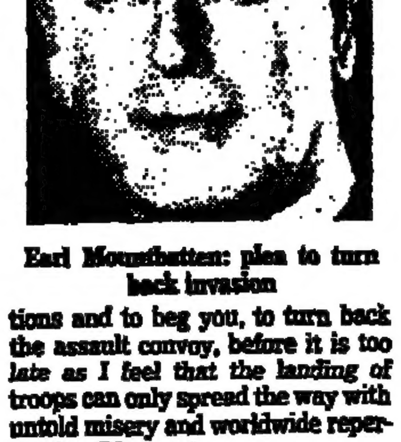
Mountbatten challenged military operation

THE LATE Earl Mountbatten, who was First Sea Lord, made a last-minute appeal to Sir Anthony Eden to call off the military operation against Egypt during the Suez crisis. He challenged the Government to sack him, but this was rejected by Lord Hailsham, the present Lord Chancellor who was then First Lord of the Admiralty.

The handwritten letter is a dramatic document amongst the Cabinet papers now released. It is dated November 2, shortly before the British paratroops dropped near Port Said on November 5. Lord Mountbatten, the Queen's uncle, pleaded with Eden to call off the invasion, even though British bombing of Egypt had already started and the assault convoy had left Malta.

He says in the letter that Eden had been aware of his "great unhappiness" over launching military operations, and how much he had hated the plan. He had, however, carried out his orders even though he did not believe that a just and lasting settlement could be worked out under the threat of military action.

"I am writing to appeal to you to accept the resolution of the overwhelming majority of the United Nations to cease military operations and to beg you, to turn back the assault convoy, before it is too late as I feel that the landing of troops can only spread the way with untold misery and worldwide repercussions" he wrote.



Earl Mountbatten: plea to turn back invasion

Eden telephoned Mountbatten and said he was not prepared to turn back the convoy. Mountbatten then wrote to Hailsham complaining that the navy would have the task of inflicting the main casualties on the Egyptians, but would carry out its orders "however repugnant." Nevertheless, he wanted to lodge "the strongest possible protest of this use of my service."

Cabinet deeply divided over use of force

CONSIDERABLE dissension within the Cabinet over the use of force to solve the Suez crisis is revealed in the papers. Apart from Eden and Selwyn Lloyd, the leading "hawks" included Lord Salisbury, Lord President of the Council.

Surprisingly, Sir Walter Monckton, Minister of Defence, emerges as the chief "dove" opposed to the military operation even though he had to organise it.

He solved his problem of conscience by quietly standing down because of alleged over strain on October 18, shortly before the Anglo-French invasion, but he continued in the Cabinet as Paymaster-General, still voicing opposition.

Salisbury was worried about the attitude of Monckton, and also expressed concern over R.A. (Rab) Butler, leader of the House of Commons, and younger ministers in the Cabinet.

He wrote: "Walter Monckton's outburst at the end of this morning's meeting was, I thought as I am sure you did, both painful and rather disturbing.

"Not that it came as a great surprise. I think that both you and I know that he had for some time had doubts about a firm policy over Suez. But I suspect there will be a measure of support for his views.

"Rab is clearly not happy and I gather from what he said to me after the meeting that he had been making inquiries and finds that there are quite a number of others, especially among the younger members of the Cabinet, who have not yet made up their minds."

On September 11 there was a row in Cabinet when the Foreign Secretary reported that the Egyptian Government had rejected proposals for international control of the canal. He said the first option was to proceed with military action even though the US was opposed to it.

But Monckton strongly disagreed. He said any premature recourse to force, especially without US support, was like to precipitate disorder throughout the Middle East and alienate a substantial body of public opinion throughout the world.

On November 4, on the eve of the paratroop landing in Egypt, Monckton, who was then Paymaster General, called for the military action to be suspended indefinitely and warned his colleagues in the Cabinet that if they decided otherwise "he must reserve his position."

MANAGEMENT

EDITED BY CHRISTOPHER LORENZ

Cashbuild

A step in a democratic direction

Anthony Robinson talks to Albert Koopman (right) about the role of black workers at South Africa's biggest builders supplier

BEFORE Connie Fagazile applied for a job as assistant manager with the South African builders supply company Cashbuild she did a bit of checking up through the bush telegraph. She even travelled from her home in the black township of Duduza, near Springs, a largely Afrikaans-speaking white mining and industrial town on the East Rand, to Gabarone, the capital of neighbouring Botswana. There she discussed the company, and especially its attitudes towards black employees, with a friend of hers who was employed at the Gabarone branch.

Two years earlier she had left her job at the Institute of Race Relations in Johannesburg to join Corobrik, the country's largest brick maker. The company advertised itself as a progressive equal opportunity employer. But, as the only black in her department, Connie, a lively, forthright Zulu speaker who is divorced with two children at school, felt uncomfortable with the attitudes of her co-workers and *felt she had been discriminated* against when she was passed over for promotion in favour of an Indian lady with less qualifications and experience.

"I was unhappy and I felt cheated and oppressed. I decided I would try and get a job with a foreign-owned company. They have a better reputation for real equal opportunity. When I heard that Cashbuild was not only a South *African company but controlled* by Sanlam, the largest Afrikaner holding company, I nearly gave up on the spot."

Six months after starting work at Cashbuild's new depot at Springs, 60 kms east of Johannesburg, she is glad she ignored her preconceptions. For Cashbuild under Albert Koopman, a 39-year-old Arikaner who spent ten years in Mozambique during the struggle for de-colonialisation, has combined *fast growth in profits* and turnover with a commitment to a form of worker democracy.

As Koopman tells the story democracy is the chicken, profit the egg. In 1982, three years after he started Cashbuild as a subsidiary of the former Kirsch group, he realised that the company was going nowhere. Although the economy generally was benefiting from a gold-backed boom, Cashbuild's profits were falling. Margins were down, sales were listless, staff were unmotivated.

Koopman, a restless, inquisitive character with an eclectic appetite for inspiration from sources as diverse as Marx and Sartre to Alvin Toffler's Future Shock and Schumacher's Small is Beautiful, first set out to question *his white managers* about the company's poor state.

"I went round all the branches and asked a thousand questions. I found that most of my managers blamed their black labour force for being indolent, uninterested, unmotivated." When he probed further into their perception of his own management style the response was "pompous, egocentric, dictatorial and autocratic." On reflection, Koopman recognised that these were precisely the *kind of attributes inculcated by* the system under which most whites are educated and brought up in South Africa.

But what concerned Koopman after this sobering experience was the thought that if his white lieutenants thought like that, what was the attitude of black workers.

One of the questions he asked black workers on his systematic tour of the then 18 branches was "How are you paid?" The standard reply went something like this. "A green van comes round on Fridays. Two men carry a box into the office and I get paid out of that box." It was a perfect description of how it happened but revealed total ignorance of the way in which *that money* was earned.

"I realised that what we had to do was somehow restore pride in labour, build up self-esteem and make our employees feel worthy both as people and workers. This meant ending the *separation* between a *worker's* purpose and the purpose of work and a subservient, unquestioning mind, created by years of governmental control."

In 1983 Koopmans held his first meeting with black employees. "We looked for the most radical guys and picked out two from each of our 22 branches. Eventually we came up with our first organisational chart with elected branch 'presidents' representing our 400 staff in the 22 branches. For the first year much of the time was spent on 'tea and coffee issues'—complaints about the indignities of 'petty apartheid'—and demands for more time off for shopping, to attend funerals and so on."

In the meantime Koopman was seeking through direct contacts to get across a "wholistic" concept of the company, through diagrams, for example, which put the customer at the apex of a pyramidical structure and stressed the importance of *co-operation and team work.* "The idea was to define the purpose of the game and then draw up rules of the game."

While this was going on Koopman delved into Japanese style "quality circles" and started learning Zulu and reading as much as he could about black culture. "Apart from witchcraft I found to my amazement a great similarity between the Japanese and the Zulus, especially in respect of the importance that both attach to social concerns, co-operative *labour and attendance, for* example, at funerals and other family occasions."

Increasingly Koopman got invited back to the homes of his black workers. "I have eaten donkey meat with golden cutlery brought out for the occasion and been to homes with 13 people sleeping on the floor. It is important to know how your workers live."

He also recalls the day when one of the most militant union *members in the company ques*tioned his motivation. "After 300 years of white oppression why should we believe that you are any different," he was asked. At that point Koopman recalls, "I took of my jacket and tie, lay on the floor and told him to trample all over me. I told him there was no way we could run a successful company if I was going to be held responsible for 300 years of history all the time." The unionist, totally non-plussed, stepped back. The man, Kaiser *Siblangu, is now one of the* most loyal company members. He has left the union and is now number two in a store which he is expected to take over as manager within the next six months. Indeed, the union's influence is now radically diminished.

This breakthrough on the personal level was matched on a company level 12 months into what Koopman calls the company's "empowerment" *programme when the branch* "presidents," reflecting the wishes of their branches, rejected the whole concept of representative democracy as embodied in the "presidents."

They also rejected the concept of shop stewards and decided that what they wanted was participative democracy.

After further brainstorming sessions workers and management came out with a concept which they called "venture communication" or venturecom for short. Perceived as a platform for participative shop floor democracy, each branch set up its own venturecom responsible for five aspects of each branch's activity. Introduced in January 1985 the system has an elected member responsible for quality of life, safety, labour, merchandising and operations.

With 91 per cent of the labour force black, of which 60 per cent is illiterate, the only limitation on choice is that workers *responsible* for the *last* two areas—merchandising and operations—be literate.

"We did not set out with the aim of black advancement but of making this company profitable. But we have actually created a culture which is conducive to advancement," Koopman claims, backing up his boast by pointing to the 34 black workers now preparing for management positions.

Meanwhile the company, which is well placed to take advantage of the major growth expected in black urbanisation over the next decade, has clocked up an impressive profits record. Net profit before tax per employee has risen from 1,648 rand in 1983 to 6,631 rand in 1986 reflecting sharply higher productivity. Earlier this year the company was floated on the Johanensburg Stock Exchange and over the past four months its shares have rocketed from 1.10 rand to over 4 rand. Some 31 per cent of its employees hold shares.

At present Cashbuild has only around 3.5 per cent of a building materials market worth around 2bn rand (£650m) *annually but aims to raise its* share to 10 per cent by the end of the decade.

Dominant influence

FEW ECONOMIES are so dominated by a handful of large industrial mining and financial conglomerates as that of South Africa. The six major groups—Anglo American Corporation, Old Mutual, Sanlam, Rembrandt, Anglo Vaal and Liberty Life—between them control over 80 per cent of the market capitalisation on the Johannesburg Stock Exchange as well as a plethora of non-quoted companies.

Apart from this concentrated power in the private sector the state also controls a stable of large para-state corporations, including the electricity corporation, Escom, the Iscor steel corporation, the Armscor defence industry complex, the railways, South African Airways and others. The state also spreads its tentacles through the economy with its comprehensive system of agricultural control boards. This concentration of economic power provides a text book example of oligopoly at work.

But, as the example of Cashbuild shows, line management in the subsidiaries of these large corporations often enjoy considerable operational freedom to run their companies. Sanlam, headed by Dr Fred du Plessis who, in the post-sanctions, siege economy era now upon South Africa is probably the Afrikaaner businessmen with greatest access to and influence in government circles, ultimately controls Cashbuild.

Earlier this year Saanlam decided to group its steadily growing industrial, banking, insurance and mining interests into a new industrial holding company called Sankorp. The chief executive officers of the principal divisions report to the Sankor board.

Cashbuild is a subsidiary of Tradegro, whose chief executive officer, Mervyn King, is rsponsible for Sankorp's extensive wholesale and retail trading empire, a sector which increased heavily in importance when Sanlam bought out Kirsch Trading from entrepreneur Natie Kirsch at the beginning of 1986.

According to Etienne Le Roux, Sankor's general manager of finance, managers like Albert Koopman are encouraged to use their entrepreneurial skills so long as the results are satisfactory and the necessary managerial and financial systems are in place.

The unconventional form of worker democracy in operation at Cashbuild may not be repeatable elsewhere. But Koopman's experiment is being watched with keen interest by personnel and other managers within the Sanlam group and outside as South African business generally seeks new ways of reducing the alienation and frustration of blacks at the workplace.

'A fungus thriving in dark corners'

Michael Skapinker reports on absenteeism

YOUR BEST friend is getting married on a day when you are supposed to be at work. What do you do? Don't ask the supervisor for time off, Brian tells his colleagues. He might refuse. Far better to phone in sick, he tells them.

One of his colleagues is a little nervous about this. He wonders whether it's right to take sick leave if you're not really ill. "What do you think's going to happen?" Brian asks him. "They don't rush around in a squad car and whisk you off to hospital for a body scan. It's your word against theirs."

Britain is full of Brians. A 1985 survey by the Industrial Society concluded that absenteeism costs the British economy 200m working days a year. Absenteeism "undermines productivity and profits. It eats away at morale. Far too few people realise that the working days Britain loses through absenteeism render almost insignificant the days lost through trade union disputes," writes management consultant Andrew Sargent in a booklet which accompanies the training video in which Brian appears.

Absenteeism is a sensitive subject, Sargent says. People ARE sometimes too ill to come in to work. And trying to discover whether employees really have been as ill as they claim often produces hostility and defensiveness. "Are you telling us that it's illegal to have flu?" asks Brian when his *supervisor* raises the matter at a group briefing.

While absence from work is often caused by genuine illness, there are other employees who take sick leave to decorate the living room. There are many more who phone in sick when they feel just slightly off colour.

As the video, "Gone Today—Here Tomorrow," points out: "Even the most interesting and stimulating job can lack *glamour on a murky Monday* morning."

The video shows Brian's supervisor, Dennis, trying to evade responsibility for the high level of absenteeism in his section. "I don't know how many times I've been in here belly-aching about it," he tells the factory manager. "It's like talking to a brick wall. No one does anything about it." Who hasn't done anything about it? "Personnel," Dennis says. "Why don't they hand out a *few warnings?*"

That is the principal problem with absenteeism, Sargent says. No one really takes responsibility for it. "Consequently we frequently find that absence control is vested in personnel specialists, welfare officers or even company medical staff," he says. When employees decide to stay away from work, they often simply phone the company receptionist, or get someone else to do so. "Has Tom phoned in yet?" the factory manager asks *Dennis,* the *supervisor.* "Switchboard took it. His wife phoned in. Dicky stomach," Dennis tells him.

Rather than the personnel department, line managers and supervisors should take responsibility for absenteeism, Sargent argues. They are the people who know the employees best and who are responsible to employers and shareholders for achieving results. "It may not be their job to punish the ungodly or pronounce upon the solution to a long-term case. But it is their job to manage attendance."

By keeping proper records of who is off sick and why, and by asking persistently absent employees whether they need any medical or other professional help, supervisors could reduce absenteeism significantly, the video argues. If they know that their immediate superiors are taking a firm but friendly interest in their health, many more employees are likely to make the effort to come in to work.

"Absenteeism is a fungus that thrives in dark corners. The more light and air you throw on it the more you stunt it," the video says.

Sargent quotes a study by the conciliation service Acas which shows absenteeism is lower in small working environments. He says there is also evidence to suggest that manual *employees* are *absent twice as* often as office staff and that they, in turn, are off work twice as often as managers. It would be interesting to know whether organisations with profit-sharing or employee share ownership schemes have a lower level of shop floor absenteeism than those which do not.

"Gone Today — Here Tomorrow," Guild Sound and Vision, Royce Road, Peterborough, PE1 5YB.

TECHNOLOGY

Smith gives Merck taste of its own genetic medicine

Stephanie Yanchinski in Singapore reports as the two US companies battle for dominance in Asian vaccine market

THE approval last month in Europe of a new hepatitis vaccine made by genetic engineering signals the first shots in a battle between two giant US drug companies for markets in the Far East. Smith Kline-RIT, the Belgian subsidiary of Philadelphia-based Smith Kline Beckman, has been awarded a licence to market its Engerix B vaccine in Belgium. This, the company expects, will speed up the product's registration in the rest of Europe, Australia, and Canada.

However, the biggest prospective market for hepatitis vaccines is in Asia, where the disease affects millions of people and is a killer. Thus Smith Kline's plans to market Engerix B in South Korea, Malaysia, Indonesia, Thailand and Singapore brings it into fierce competition with the world's number one drug company, Merck Sharp and Dohme, *for control* of a market currently worth at least US$100m a year.

Merck was first into the fray with its genetically engineered hepatitis vaccine called Recombivax, winning the coveted approval of the tough US Food and Drug Administration. Marketed as B-Hepavac II in Asia, the product is already on sale in Singapore, where a fledgling company Singapore Biotech handles its distribution and test marketing.

Although their products are very similar, the two companies have adopted very different strategies for their drive into Asia. Smith Kline wishes to strengthen its already powerful position in Asian pharmaceutical markets by *selling its* product widely and inexpensively.

Dr C. Huygelen, vice president and general manager of Smith Kline Biologicals, predicts a "significant" drop in price as the volume of sales goes up. "In our new, US$100m plant in Belgium, we can produce the vaccine on such an economic scale that as sales increase the price can be expected to come down," says Huygelen.

Merck, on the other hand, expects the price of its vaccine will remain stable, at around US$100 for three doses, but plans to license its technology to countries in the area which prefer to make and market their own product.

Hepatitis B is a serious liver inflamation caused by a virus. Patients suffer from fever, nausea, vomiting, and jaundice. Chronic infection leads to cirrhosis, and permanent liver damage.

More serious still, hepatitis has been linked to liver cancer, which ranks among the top three cancers in the world. There are 300,000 new cases a year, and the disease is almost always fatal.

Of the estimated 240m who

> Our manufacturing process is more efficient than Merck's —Smith Kline

carry the virus throughout the world 70 per cent live in Asia, where hepatitis is most often passed on from mother to newborn child. In China, for instance, half of these carriers die of liver-related diseases such as cirrhosis or liver cancer.

Hepatitis is not only a problem of the East. It can be contracted by skin contact with the virus. Doctors, dental workers and other medical personnel in more developed countries therefore face a greater than average chance of contracting the disease, along with other high risk groups, such as homosexuals, drug addicts and prostitutes. The market for hepatitis vaccine in the US alone currently stands at around US$120m a year.

Previous methods of manufacturing hepatitis vaccines, however, created unjustified fears among some doctors about the safety of products derived from infected blood. Of those at risk in the US less than a third have been vaccinated because of such worries.

For Merck, faced with this intractible marketing problem, and Smith Kline, anxious to consolidate its position in Far Eastern pharmaceutical markets, only genetic engineering provided a way of manufacturing a hepatitis vaccine that would be considered safe and could be produced in large enough quantities.

Both companies developed biotechnology processes relying on derivatives of ordinary baker's yeast grown relatively cheaply in steel fermenters. The yeasts are genetically reprogrammed to manufacture large quantities of a particle called a "surface antigen" derived from the hepatitis virus. Infected as part of a *vaccine* this protein particle provokes the same immune response in the human body as a viral infection.

Ordinary yeasts are easy to grow. For example, it takes *Smith Kline engineers only* a few days to ferment the genetically engineered variety. Harvesting and purifying small amounts of surface antigen requires sophisticated technology, and a little more time. Even so, a batch of vaccine yielding *millions* of doses can be produced for market every few weeks.

Technical requirements and regulatory restrictions meant both companies had to construct state-of-the-art production facilities. For instance, production at Smith Kline's new US$100m vaccine plant in Riksensart, Belgium involves no less than 18 steps, many automated by computers.

However, Dr Michael de

> Smith Kline is just being defensive about an inferior product—Merck

Wilde, head of molecular genetics at the Belgian laboratory, claims the Smith Kline process is more efficient than Merck's, and more ecbnomically "scaled up" to larger production runs.

The key to these improvements, De Wilde believes, lies in Smith Kline's patented method for extracting the minute quantities of surface antigen from the fermentation broth, combined with a way of *purifying the product using* stacked columns filled with gels.

Perhaps even more important De Wilde thinks the Smith Kline strain of yeast may be more productive, allowing the company to make Engerix B in fermenters less than a third the size of Merck's.

Smith Kline says that by relying on its own resources its scientists could experiment with different yeast strains and come up with one that produces more protein than any other known variety.

Merck, on the other hand, acquired a ready-made yeast strain from Chiron, a fast-rising genetic engineering company on the West Coast of America. Merck's Dr Peter Ellis claims his company then did "90-95 per cent" of the additional development work to improve the strain genetically and set up a commercial process. As a result, he says, Merck lifted the yield by "an order of magnitude" and created a much more powerful vaccine than Engerix B. Recombivax's recommended dosage *is half* that of the Smith Kline product.

Dr Ellis believes that Smith Kline is being "defensive" about an inferior product and he says "looking at all of the clinical results, ours appears *better than theirs.*"

Meanwhile, Merck and Smith Kline face competition from at least half a dozen other pharmaceutical companies spending millions of dollars on developing the next generation of genetically engineered vaccines. Wellcome Biotechnology, a subsidiary of Burroughs Wellcome of the US is focusing on one of the most promising alternatives made with cells taken from the Chinese hamster. This vaccine may prove to be more immunogenic than those prepared in yeasts.

However, it is unlikely that even these developments will bring down the price to that of conventional vaccines sold at a few cents a dose, which goes against the conventional wisdom that genetic engineering always means cheaper drugs.

Elinor A. Fagan, Merck's product manager for Recombivax has commented that the cost of biocontainment, "coupled with the increasing cost of doing *science and clinical trials.* pushes up the price of the final product."

The only long-term solution for countries too poor to afford Merck's prices is to "licence the technology, and become self-sufficient," he says.

This strategy could pay other dividends.

For instance, in China, and South Korea a willingness to part with advanced technology could open up markets for other products of the US pharmaceutical companies. Both Merck and Smith Kline are in discussions with the Chinese over joint ventures involving hepatitis vaccines.

WORTH WATCHING

Edited by Geoffrey Charlish

Credit cards: The copybook solution

CARRS PAPER of Birmingham, UK, claims to have made a significant improvement to the three-sheet sets of credit card slips used throughout retailing.

Currently, carbon paper is interleaved with counterfoils to produce copies when pressed against the card in a shop's imprinter. But the information shown can be used to make counterfeit cards—already a serious problem in the US. The carbon *copies are also dirty, creating* problems for shop assistants in retail areas such as clothing and food, for example.

Marks and Spencer, the large UK stores chain, recently tried conventional self-copying "no-carbon" paper but found that the optical scanners it uses could not read the impressions. Even carbon paper strips applied to key areas were tested, but these jammed the reader.

So Carrs, in conjunction with a Marks and Spencer credit card set supplier, Standard Continuous of Birmingham, has developed impression coatings that give perfectly clear results in the imprinter on all three sheets. *The coatings are also totally* clean. Five million sets have been supplied to Marks and Spencer and these according to Carrs are "working well."

Electronic images put on the slide

DICOMED (UK) has introduced an electronic system which, in a single workstation, combines on-screen facilities for composing pictures and a means of turning the images into high quality 35 mm film slides.

Called Designer PC, the system offers four typefaces and 4,000 colours. It uses a microcomputer with a high resolution colour monitor and a graphics tablet to create the images (what is drawn on the tablet appears on the screen). *Then, the data goes to a* Honeywell film recorder which makes the colour slides.

Quick-on-the-draw document storage

HARD ON the heels of KIMS, the image management system recently launched by Kodak of the US, the UK company Rank Cintel has also completed development of a system based on microfilm with quick access, scanning and viewing of original documents on electronic screens.

The apparatus is called Retriever and, like KIMS, it frees expensive office storage space for other purposes and allows quick access to original document images.

Retriever, however, uses 512 eight-inch strips of 35mm film stored round the periphery of a drum which is rotated to allow any strip to be removed by robot arm and scanned in about six seconds. (Kodak uses cassettes of 16mm microfilm and the average access time for a page is 45 seconds.)

Each of Retriever's eight-inch film strips holds 2,610 A4 page images. The whole "image server" system for storage, access and scanning of over 1.3m A4 documents occupies the space of a four-drawer filing cabinet. The definition is good. Each A4 page image is turned into 4m pixels (picture elements). elements).

The display terminals allow 2mm-high characters to be clearly seen and have memory facilities which can capture four documents and hold them for comparison purpose. Conventional networking or optical fibre connections between storage and workstations are available.

Jaguar screens its mechanics

JAGUAR cars has installed 120 interactive video systems at dealerships throughout the UK as an aid to maintainance of its new XJ40 model.

The system, called Multimedia Interactive Control (MIC), is offered by Video-Logic of London and consists of a standard IBM personal computer equipped with an MIC printed board and software, together with a videodisc player and a high resolution colour monitor.

To see how a repair should be carried out, the mechanic accesses a video sequence by selecting an option from a menu that comes up on the screen. The MIC system interprets the selections made and delivers the video sequence that the mechanic should see.

Also available is an interactive question and answer training session. Mechanics are quizzed on their knowledge of the car after viewing a video sequence. Their reply determines which sequence of pictures is shown next.

French light way on wheel chairs

FRENCH COMPANY Poirier has reduced the weight of folding wheel chairs to about 12 kgs from the more usual figure of about 20 kgs. The chairs are made from composite plastics, materials and glued aluminium. They have been developed in collaboration with Aerospatial, the French aerospace company.

Ceramics start to show more fibre

FIBRE REINFORCED ceramics are the subject of a new report from Technical Insights, the New Jersey, US, high technology information services company.

The report examines technologies, markets, fabrication methods and the applications that are coming to light. For example, Japanese engine research teams are looking at diesel engines with high temperature fibre-ceramic engine blocks that need no cooling or lubrication. Already silica fibre has been developed for space shuttle tiles (designed to withstand the heat of re-entry from space). Materials are even under development to replace the use of metal in cutting tools.

The 225-page report, Fibre Reinforced Ceramics: Advanced Material for Today's Needs, costs $845 outside the US.

CONTACTS: Carrs Paper: UK, 021 744 2215. Diomed: UK, 0920 27444. Rank Cintel: UK, 0920 3859. Videologic: UK, 01 434 3511. Poirier: France, 47 420158. Technical Insights: US, 201 568 4744.

THE ARTS

Arts Week

F	S	Su	M	Tu	W	Th
2	3	4	5	6	7	8

Opera and Ballet

LONDON

Royal Opera House, Covent Garden: The Royal Ballet continues its performances of The Nutcracker.

Royal Festival Hall: London Festival Ballet gives daily performances of The Nutcracker.

Sadler's Wells, Rosebery Avenue: Sadler's Wells Royal Ballet continues its season with The Snow Queen followed by Coppelia.

NEW YORK

Metropolitan Opera (Opera House): The week features Rigoletto conducted by Thomas Fulton in John Dexter's production with Mariella Devia, Sherrill Milnes, Dano Raffanti and Dimitri Kavrakos; La Bohème conducted by Julius Rudel in Franco Zeffirelli's production with Leona Mitchell, Barbara Daniels and Brian Schexnayder; Die Fledermaus conducted by Jeffrey Tate with Kiri Te Kanawa, Tatiana Troyanos and Otto Schenk in Otto Schenk's production; and Madama Butterfly conducted by Gianfranco Masini in Renata Scotto's staging with Miss Scotto, Vasile Modoveanu and Lenus Carlson. Lincoln Center (362 6000)

New York City Ballet (New York State Theater): Following the final seasonal performances of The Nutcracker, the company's 85th season continues with repertoire by Balanchine and Jerome Robbins, including two of last spring's world premieres by Robbins, Quiet City and Piccolo Balletto. Lincoln Center (870 5570).

WASHINGTON

Washington Opera (Terrace): The company's season at the Terrace Theatre features Don Pasqale in a new production by Douglas Wager conducted by Cal Stewart Kellogg with Francois Loup in the title role, Pamela South as Norina and Gran Wilson as Ernesto. The 1982 English-language production of The Abduction from the Seraglio returns conducted by Arnold Ostman with Joyce Guyer as Constanze, David Knebler as Belmonte and Kenneth Cox as Osmin. Kennedy Center (254 9895).

CHICAGO

Lyric Opera: Lotfi Mansouri's 1981 production of The Merry Widow continues with Maria Ewing in the title role, Alan Titus as Prince Danilo and Jerry Hadley as Camille de Rossillony, conducted by Baldo Podic. (332 2244).

VIENNA

Staatsoper: A Summer Night's Dream conducted by Richter; La Boheme conducted by Mackerras with Freni, Wise, Dvorsky, Hornik, Helm; Die Fledermaus conducted by Neuhold with Ghazarian, Dernesch, Lind. (51 444/26 55).

Volksoper: Madame Pompadour conducted by Bibl; Der Opernball conducted by Boncompagni; Die Fledermaus conducted by Bibl. (51 444/26 55).

Music

LONDON

Purcell Room (6pm) Bingham String Quartet. Patterson, Stachowski, Lutoslawski (Mon).

Purcell Room (7.30pm): Tom Blach and Susan Tomes, pianos and Matthias Feile, cello. Janacek, Debussy and others. (Mon).

Wigmore Hall: Trio Finnico. Beethoven) Shostakovich and Mendelssohn. (Mon).

Purcell Room (6pm): Elysian Piano Trio. David Matthews and Ravel (Tue).

Purcell Room (7.30pm): Caroline Dearnley, cello, James Lisney, piano and James Woodrow, guitar. Bartok, Tippett and Kodaly and others (Tue).

Purcell Room (7.30pm): Anne Carewe, cello, Jorge Nestro Serreyra and Malcolm Martineau, pianos and Elizabeth Layton, violin. Knussen, Lutoslawski, Britten and others (Wed).

Wigmore Hall: Robert Hall, bass baritone, accompanied by Andras Schiff. Schubert (Wed).

Purcell Room (6pm): Leda Piano Trio. Goehr, Adrian Williams and Wood. (Thur).

Purcell Room (7.30pm): Theodore Ulrich, cello, Julius Drake and Andrew Bottrill, piano and Daniel Rye, clarinet. Poulenc, Berio, Patterson and others (Thur).

Wigmore Hall: London Handel Orchestra conducted by Denys Darlow. Geminiani concerti grossi (Thur).

NEW YORK

Carnegie Hall: Julliard String Quartet. Beethoven, Spohr, Ravel, Mozart (Mon); Ramsey Lewis jazz pianist recital (Tue); Arthur Green piano recital. Scriabin, Ives, Chopin (Wed); Orchestra of St Lukes. Julius Rudel conducting, Jorge Bolet piano. Schumann, Liszt, Dvorak (Thur). (247 7800).

New York Philharmonic (Avery Fisher Hall): Erich Leinsdorf conducting. Strauss, Debussy, Schumann (Thur). Lincoln Center (874 2424).

Waverly Consort (Alice Tully Hall): George Mgrdichian. Spanish music of the year 1492, covering court and religious music as well as songs of the wandering Sephardim (Thur). Lincoln Center (362 1911)

WASHINGTON

National Symphony (Concert Hall): Mstislav Rostropovich conducting. Andre Watts piano. Berlioz, Sibelius, Brahms (Thur). Kennedy Center (254 3776).

CHICAGO

Ensemble A Corde (Orchestra Hall). Bach, Hindemith, Mozart, Reger (Wed, 5.45). (435 8111)

Chicago Symphony (Orchestral Hall): Yoel Levi conducting. Haydn, Roy Harris, Prokofiev (Thur). (435 8111).

Mstislav Rostropovich, who conducts the US National Symphony Orchestra in a Berlioz, Sibelius and Brahms programme at the Kennedy Center, Washington, next week.

Theatre

LONDON

Les Liaisons Dangereuses (Ambassadors): Christopher Hampton's masterly version of Laclos' epistolary novel is sexy, witty and wise, like a collaboration between Marivaux and de Sade. Howard Davies's sell-out pre-Revolutionary production for the RSC has moved from the Pit with Alan Rickman and Lindsay Duncan still battling and bitching over lovers and other riffraff. (836 6111, CC 836 1171).

Misalliance (Barbican): Rarely seen Shaw, and a much underrated play, given the full RSC works by John Caird, a Polish new woman crashing into the surrey conservatory in her monoplane. Jane Lapotaire sparkles alongside Brian Cox, Elizabeth Spriggs and newcomer Richard McCabe (628 8795, CC 638 8891).

The Phantom of the Opera (Her Majesty's): Spectacular but emotionally nutritional new musical by Andrew Lloyd Webber emphasising the romance in Leroux's 1911 novel. Happens in a wonderful Paris Opera ambience designed by Maria Bjornson. Hal Prince's alert, affectionate production contains a superb central performance by Michael Crawford. A new, meritorious and palpable hit. (839 2244, CC 379 6131/240 7200).

Woman in Mind (Vaudeville): Alan Ayckbourn's new comedy has a brilliant performance by Julia McKenzie as a dissatisfied housewife visited on her own garden lawn by an imaginary ideal family. Bleak but funny, hailed in some quarters as vanguard feminist drama; be not put off by that. (836 9987/5645).

Starlight Express (Apollo Victoria): Andrew Lloyd Webber's rollerskating folly has 10 minutes of Spielberg movie magic, an exciting first half and a dwindling reliance on indiscriminate rushing around. Disneyland, Star Wars and Cats are all influences. Pastiche score nods towards rock, country and hot gospel. No child is known to have asked for his money back. (834 6184).

42nd Street (Drury Lane): No British equivalent has been found for New York's Jerry Orbach, but David Merrick's tap-dancing extravaganza has been rapturously received. (836 8108).

NEW YORK

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T.S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

A Chorus Line (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

La Cage aux Folles (Palace): With some tuneful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages, barely, to capture the feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (757 2626).

I'm Not Rappaport (Booth): The Tony's best play of 1986 won on the strength of its word-of-mouth popularity for the two oldsters on Central Park benches who bicker uproariously about life past, present and future, with a funny plot to match. (239 6200).

Big River (O'Neill): Roger Miller's music rescues this sedentary version of Huck Finn's adventures down the Mississippi, which walked off with many 1985 Tony awards almost by default. (246 0220).

The Mystery of Edwin Drood (Imperial): Rupert Holme's Tony-winning resurrection of the unfinished Dickens classic is an ingenious musical with music-hall tunes where the audience picks an ending. (239 6200).

NETHERLANDS

Groningen, Schouwburg. Christmas pantomime (in Dutch) written and directed by Alexander Doré: Hashiwazam's Magic Mirror (Tue, matinee Wed). (12 56 45).

CHICAGO

Pump Boys and Dinettes (Apollo Center): Facetious look at country music and down-home country life with a good beat and some memorable songs, especially one played on kitchen utensils has proved to be a durable Chicago hit. (935 6100).

WASHINGTON

The Marriage of Betty & Boo (Arena): Christopher Durang's latest swipe at domestic life and marriage has an autobiographical air as it dissects three generations of a contemporary American family. James C. Nicola directs a cast headed by Casey Biggs, Donna Snow and Thomas Anthony Quinn. Ends Nov 23.

Les Miserables (Opera House): The American tour that will end up on Broadway early in the new year begins in Washington as a celebration of the British musical's leap beyond its American forebears. Ends Feb 14. (254 3770).

JAPAN

Kabuki (National Theatre) Kanadehon Chushingura (The Treasury of Loyal Retainers). Better known as the revenge of the 47 Ronin, the play is based on an incident in 1702 of samurais' revenge for their master's death. The story is basically accurate and is particularly illuminating in what it reveals of Japanese loyalty, "face", form, obligation, vendetta etc. – norms which still underpin Japanese society. This month sees the final in the 3-part series and has star line of Kabuki's best-known actors. English language programme and excellent earphone guide. National Theatre, near Nagataseho and major hotels. (265 7411).

Kabuki (Kabuki-za) Of the various extracts from plays and dances, those featuring famous female impersonator Tamasaburo Bando should draw the crowds. In the morning performance he dances Kyo Kanoko Musume Dojoji. In the evening O-Matsuri festival dance he is joined by equally famous actors, Kakugoro and Tatsunosuke, Excellent English programme and earphone guide. Kabuki-za, near Ginza. (541 3131).

Cats: Revival of the Shiki Company's renowned 1984 production in the special tent theatre. Excellent set, effects, good dancing and Kabuki tricks and movement compensate somewhat for the lack of characterisation and genuine vitality. Nonetheless, worth seeing. Directed by Keita Asari. (320 4000).

The Water Station, first and best of the trilogy by Shogo Ota which explores aspects of human nature, solitariness, communication by silent theatre. Very pertinent and appropriate to the Japanese, The Water Station has been seen at many venues outside Japan and is a moving and compelling treatment. Performed by Ota's Tenkei Troupe at their base, T2 Studio, converted from a warehouse. The civilising amenity of a theatre bar, interesting performing space and location and especially a play without language problems all promise a rewarding evening. T2 Studio is near Hikawadai (Yurakucho Line beyond Ikebukuro). (993 9486).

Exhibitions

PARIS

Esteve: After important exhibitions in Germany, Switzerland and Scandinavia, Paris in turn honours the abstract French artist born in 1904. The retrospective consists of 116 paintings, 50 watercolours, nearly as many drawings, some collages and tapestries and shows Esteve's development. Influenced at first by Cubism and fascinated by Cezanne, he continues obstinately on his own solitary road until he achieves an equilibrium between a rigorous composition and an explosion of colours. Grand Palais, Closed Tue, Ends Jan 12 (4256 0924).

Musée d'Orsay. The spectacular museum of the 19th century is situated opposite the Tuileries Gardens within the metallic structure and the glass-roofed vault of the vast Belle Époque railway station. It houses paintings, sculptures, *objets d'art* and photographs from the end of the romantic period to the beginnings of modern art and the impressionist and Post-Impressionist collections formerly in the Jeu de Paume. Here they are counterbal-

Continued on Page 7

PUBLIC NOTICE
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NOTICE is hereby given that, with effect from 1st January 1987, the business and (subject to limited exceptions) assets of the United Kingdom branches of Punjab National Bank in London, Gravesend, Birmingham and Wolverhampton have been vested in State Bank of India and (subject to limited exceptions) State Bank of India has from that date assumed full responsibility for the liabilities of such branches of Punjab National Bank. Enquiries arising in relation to the affairs of the above branches of Punjab National Bank should be addressed in the first instance to:

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FLOATING RATE NOTES DUE 1991

RETRACTABLE AT THE NOTEHOLDERS OPTION TO 1988

NOTICE IS HEREBY GIVEN pursuant to the Terms and Conditions of the Notes that for the six months (182 days) from 29th December 1986 to 28th June 1987 the Notes will carry an interest rate of $6\frac{11}{16}$% per annum.

Interest due value June 29 1987 amounts to US$338.09 per denomination US$10,000 each.

December 1986 Deutsche Bank Aktiengesellschaft

THE ARTS

Film in 1986/Nigel Andrews

The patient is out of bed and alive and kicking

With more people going to films and new multiplex movie theatres being planned or built, the good news about the cinema in the past year is that it is clearly no longer dying, and indeed is visibly rallying. We can at last risk taking the patient out of hospital and sending him home to convalesce.

This is wonderful news for his medical attendants (the critics) and his friends (the public). And it is a timely rebuff to his relatives, who were hoping to benefit from the will. Such close-kin media as TV, video and cable, which could have cleaned up on cinema's empire after its decease—all these movies, all those audiences driven back into the home—have been waiting vulture-like around the deathbed for the last several years. Now they will have to go away, or else wait considerably longer than expected.

Mia Farrow, Barbara Hershey and Dianne Wiest in "Hannah and Her Sisters"

Movie attendances in Britain, at over 70m, are up on those for 1985, which in turn were up on the all-time low of 1984 (55m). The trend is now consistent enough to suggest a real and lasting recovery. And although the production figures in the UK are less salutary—37 feature films going before the cameras last year against 55 in 1985 — the firming up of audience demand should fuel an improvement in 1987.

Public interest in the cinema as a topic, and its good or ill health, has seldom been higher. Subjects such as the vicissitudes of Goldcrest or the buccaneerings of the Cannon group are headline-winning topics in most British newspapers.

And in the year's films a spirit of exuberance on screen has matched, or helped to sustain, the renewed vitality of interest and debate off screen. The most striking feature of this decade has been the way popular and populist cinema has taken over the mantle of attention, among critics and film students, from what used to be called (forbidding phrase) "art cinema." Europe has gone into sad decline as a film-making force. Where once no world movies year would be complete without its annual Bergman, Bunuel, Antonioni or Godard, now most cinematic years can count the significant European films on the sprocket-holes of one film frame.

The lack of heirs to the old European masters is in part a reflection of the worldwide reaction against modernism in the arts, whereby the more gruelling extremes of avant-gardism and "suffering for art" have lost favour and the pleasure principle has been reinstated in fields as diverse as literature and architecture. In Hollywood and points east, there is a determination to put images on a big screen that justify the use of the big screen, and that tell the small screen where to get off. Hence, highly coloured, riotously action-packed entertainments like *Top Gun* and *Aliens* leap to the top of the year's box office charts; and even movies presenting themselves as ambassadors for prestige literature (*Out of Africa*, *The Color Purple*) come gift-wrapped in wide-screen, all-colour values.

Of course alternative, art-house-style forms of cinema are still about. The low-budget, independent film is alive and and well and, to a startling degree, British. *My Beautiful Launderette*, *Letter To Brezhnev* and *Mona Lisa*, together with the more lavishly styled but scarcely more expensive *A Room With A View*, have spent 1986 scooping up indecent quantities of praise and profit here and in America. But the difference between these arthouse films and the previous generation's is that today's are almost as populist in style and appeal as mainstream commercial movies. *Letter To Brezhnev* is a love story across the political divide *Mona Lisa* is a gangster film about a hoodlum with a heart. And even *My Beautiful Launderette* is a *Romeo And Juliet*-style romance made to seem funkier and more subversive than it is by the fact that the romancers are both male, and that instead of Montagues versus Capulets we have white punks versus Pakistani immigrants.

There is, accordingly, no shortage of drama, emotion and colourful conflict in modern cinema at either end of its spectrum and audience of appeal or budgetary ambition. What is in short supply is artistic and intellectual challenge. In this context, the death of Andrei Tarkovsky at the year's end seems awesomely symbolic. He was almost the last director living who was giving us films for serious thought and for the long attention span. In Tarkovsky's movies, when "nothing" is happening you can be sure that everything is happening. It is happening in the fluctuating shapes of a cloudscape, the complex arabesque of a camera movement, the blink of a character's eye, the photography's subtle modulations between black-and-white and palest tints of green or brown. Tarkovsky set his audiences huge challenges of interpretation and response, and he demoted the Hollywood trinity of values — action, story interest and spectacle — to umpteenth place among his priorities.

His work has become a priceless admonition to us today. It tells us that however much serious moviegoers may congratulate themselves on having learned to stop worrying and love popular cinema, they cannot spend the rest of their lives on permanent holiday from the kind of cinema directors like Bergman or Antonioni or Tarkovsky have represented: a cinema of real but difficult beauty, of mental and spiritual challenge; a cinema whose power to astonish is no less considerable for being less extrovert, where surprise consists of moments of truth ambushing our innermost being rather than moments of spectacle ambushing our increasingly jaded eyes.

But there were no Bergman or Antonioni movies in 1986, and Tarkovsky's last film will be among the first to appear in 1987. Given that the last 12 months have been a hurrah for popular values, my Top Ten consists of those films that were more than merely handsome, colourful or action-packed.

Ran: Kurosawa's *King Lear*, shot like a ferocious animated tapestry. *Ginger And Fred*: Fellini's glorious media lampoon, with two aging dancers hoofing it through a Dante's-Inferno-style TV variety show. *After Hours*: Martin Scorsese's witty and surreal nightmare of New York after midnight. *Hannah And Her Sisters*: Woody Allen in New York-Chekhovian mood, with a funny fugue about lives of "quiet desperation." *Year Of The Dragon*: Michael Cimino back in business with a savagely anti-heroic police thriller. *Legend Of The Suram Fortress*: Paradjanov's period parable, filmed in glowing iconic images. *Smooth Talk*: Joyce Chopra's eerily perceptive tale of teenage growing pains in California. *A Room With A View*: the Ivory-Merchant-Jhabvala team take on E. M. Forster and win. *Thérèse*: Carmelite nuns at bay against spiritual storms, hypnotically directed by Alain Cavalier. *Dreamchild*: Lewis Carroll's Alice growing up into a new Wonderland and discovering the magic of the old.

★

Among this week's new releases, steer yourself firmly towards Hou Hsiao-Hsien's *A Summer at Grandpa's* (ICA). This comedy-drama from Taiwan propels two small siblings, a boy and his sister, escorted by their guardian uncle, into the none-too-grateful arms of their country-dwelling grandparents for a long summer holiday. As one mishap follows another —pranks, pratfalls, the uncle's philanderings, the witnessing of a crime and the criminals giving pursuit — the movie confirms the old adage: that it is only when you have nothing to do that you find yourself doing a dozen different things, most of them disastrous. The film is fresh, funny and wise, and it never semaphores its effects.

In Claude Chabrol's *Inspector Lavardin* (15, Chelsea Cinema) we re-encounter the policeman of the title (Jean Poiret). This jovial brute of a French cop — an egg-eater, a liar, an intriguer, a smiler with a warrant under his cloak—graced Chabrol's last film, *Cop au Vin*. Here he investigates foul play in a château. Who stabbed to death a famous Catholic writer (Jacques Dachqmine Dachmine) and then dumped his body face down on the sea shore? Answers please on a stamped addressed omelette to Insp Lavardin, who makes a mighty meal of sifting the guilty party from among top French Thespians Bernadette Lafont, Jean-Claude Brialy and Jean-Luc Bideau. *Très chic, très cynique.*

Or you may be in the mood for a tale of a car-racing American teenager who returns from the dead to wreak vengeance on the gang-leader who murdered him and stole his girlfriend. I cannot imagine why you should be, but *The Wraith* (18, Classic Panton St) should satisfy you if you are. Action, colour, noise, spectacle, incident . . . which is where we came in.

New music in 1986/Andrew Clements

Harrison Birtwistle's high note

For once contemporary British music and opera in Britain shared a common high point: The much delayed première of Harrison Birtwistle's *The Mask of Orpheus* at English National Opera in May dwarfed all other new works in its scale and achievement. Though in revealing the pivot around which the whole of Birtwistle's development for more than 20 years has revolved, the Coliseum production (by David Freeman) did not always make every strand of the hugely complex structure clear, yet it did demonstrate that here was a thoroughly viable and organic stage-work, not at all the cerebral, refractory construction that some had feared.

Much more than that, it was in a real sense a novel solution to the problem that has beset new opera since the death of Alban Berg—the mismatch between musical and dramatic content. Here music and scenario were totally fused: the bundle of mythic strands was presented in a way that would have been unthinkable without the underpinning of music, and it was combined with music that divorced from its dramatic context would have had no obvious function at all. Into that was woven electronic inventions whose surface brilliance was in itself remarkable: disciplined, rigorous studies upon a single sound source which promised to open up vast new areas of experience to the electronic medium.

In any other year, either the orchestral *Earth Dances*, a BBC commission first heard in March, or the "dramatic pastoral" *Yan Tan Tethera*, introduced by the Opera Factory London Sinfonietta in August, would have taken pride of place. That Birtwistle should have managed three such singular first performances within just five months was remarkable. The music-theatre piece remains problematical. The austere staging implied by the score, but not heeded in the Elizabeth Hall production, would place a great strain upon the concentration and trust of an audience, while its musical rewards, for all the glittering webs of sound, are less immediate than in many recent Birtwistle works. *Earth Dances*, though, is instantly arresting proclaiming the colonisation of fresh orchestral territory from its very first bars, and generating gestures of total orchestral prominence within a thoroughly coherent large-scale structure.

Without Birtwistle it would have been a dullish year for British music. Robin Holloway's Birmingham commission, *Seascape and Harvest* celebrated its composer's highly individual version of the English pastoral with almost Straussian eloquence, while of the few Proms commissions, it was Jonathan Harvey's *Madonna of Winter and Spring*, which aimed highest and consequently disappointed most. Nicholas Maw's modestly pleasing work for cello and string orchestra reached London via King's Lynn; Nigel Osborne's collaboration with David Freeman for Opera Factory, *Hell's Angels*, is best quietly forgotten.

Two middle generation Europeans did, however, at last make a mark in this country. Something of Arvo Part's music had been heard here before the Almeida Festival took up his cause in 1986, but nothing on the scale of his St John Passion, whose extreme economy of means generates a tightly concentrated 75-minute span, or of the haunting beauty of the implicitly rhapsodical tabular rasa. Helmust Lachenmann was totally unknown until first Musica, in the summer, and later more extensively the Huddersfield Contemporary Music Festival (crammed with more good things than ever), offered introductions. Lachenmann's music operates on the border between ordered sounds and noise, constituting a reappraisal of the fundamental particles of his art that could so easily become entirely pretentious (and from his wordy programme notes often threatened to be so) but which in performance is sustained by an acute ear for sonority and a precise control of musical architecture.

Bringing Lachenmann before London audiences is exactly the kind of task the London Sinfonieta should be taking on; but its major project in 1986 was a Britten Tippett festival. The Sinfonieta is clearly trying to establish itself as a much larger band than the 14-player unit which has become so familiar, and while there is undoubtedly a whole host of contemporary orchestral works just waiting for committed and expert players to take them up, the Sinfonieta's forays on a large scale have been largely confined so far to the composers such as Britten and Tippett, who the mainstream orchestras are still more or less willing to programme. Of the Sinfonieta's concerts in 1986 perhaps their semi-staging of Henze's *Elegy for Young Lovers* was the most valuable, an accomplished account conducted by the composer which deserved to be perpetuated on disc.

Away from the music of the present, the independent London symphony orchestras have created seemingly endless confusion and argument over their future funding and organisation, while only intermittently presenting convincing evidence that they merit the concern that everyone has been expressing on their behalf. From a personal sample of their concerts the Philharmonia has been the most consistently accomplished, rising to a standard of excellence in an account of Bruckner's fourth symphony under Bernard Haitink, which even in calm recollection remained the most inspired I have yet encountered in the concert hall. The London Symphony, on the other hand, has in my experience been equally consistently unimpressive, with several performances that have not anywhere approached the standard one expects of an international-class orchestra.

Pressing hard on the heels of the London orchestras throughout the year has been of course the City of Birmingham Symphony. Whatever the rights and wrongs of the plans to fund it up to the level of its main European rivals there is no doubt the concerts the CBSO have brought to London with Simon Rattle, have been of a quality that only the Philharmonia on its highest current form could have matched. Rattle is unquestionably now the hottest property in British music, and whether Birmingham pre-eminence is due to his own gifts or to a genuine raising of the standards of the orchestra under his leadership seems to be thoroughly irrelevant. Orchestral concerts of the quality of the recent one at the Barbican, which contained Sibelius and Brahms's symphonies on a level of achievement one had forgotten could come from a British orchestra, need to be encouraged at almost any cost.

Not many piano recitals of lasting value seem to have come my way during the year: only Annie Fischer's enduring humanity, Claudio Arrau's deeply pondered (yet now technically fallible) Beethoven, and the keen intelligence and accurate fingers of Michele Campanella, and Louis Lortie deserve mentions. Song recitals by Taata Burchuladze, now combining a positive and credible platform personality with the unfailingly potent voice, and the young East German baritone Olaf Baer, surely the heir to the German *Lied* in direct descent from Fischer-Dieskau, left strong imprints, as did the still barely mature Hagen Quartet, returning to Britain for the first time since they won the Portsmouth quartet competition in 1982, and confirming reports that they are destined for great things indeed.

Alastair Muir

Omar Ebrahim in "Yan Tan Tethera"

The year's two major revelations I have reserved for the end. One arrived in the shape of the Orchestra of the 18th Century, conducted by Frans Bruggen, whose London debut at the Central Hall, Westminster, may have done little to convince anyone that here was a credible new concert venue, but must have made many converts to the cause of orchestral authenticity. The orchestra is no less scrupulous about historical fidelity than any of its antiseptic British counterparts, but urged on by Bruggen it plays with a commitment and musicality that its rivals cannot match, producing accounts of Mozart symphonies in the concert hall and on record which combine musical and textural freshness in equal proportions.

Operatically a performance of *Don Giovanni* at the Drottningholm Court Theatre in Stockholm provided not only my most profound musical experience of the year but also perhaps the most poignant, for there are now worries that the fabric of this exquisitely preserved 18th-century theatre may not be able to withstand an annual opera season for much longer, and that the performances planned for 1987 may have to be the last. A visit to Drottningholm would convince the most diehard opponent of the authenticity movement—realised with the attention that Arnold Ostman brings to bear upon his singers and instrumentalists. A concern for historical accuracy can bring very special rewards, and in this *Giovanni* (directed by Goran Jarvefelt) it was combined with a theatrical charge which was quite extraordinary.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

January 2–8

Continued from Page 6

anced by academic painters, their contemporaries, long derided for their pomposity.

The sculptures come into their own in the immensity of the nave, at the end of which is a large-scale model of the opera and its district below glass tiles. The view of Paris from the terraces is an additional delight. Musée d'Orsay, Entrance 1, rue de Bellechasse (4549 4814). Closed Mon.

WEST GERMANY

Tübingen, Kunsthalle Philosophenweg 76: Toulouse-Lautrec. A retrospective of 130 paintings and picture studies by Henri de Toulouse-Lautrec (1864-1901). Ends March 15.

Münster, Westfälisches Landesmuseum, Domplatz 10: August Macke: To mark the 100th anniversary of his birthday, the museum, helped by the Macke archive and sponsored by the estate of Northrhein Westphalia, is displaying 180 paintings, 130 pictures, 70 watercolours and documents. Macke, born in Meschede (Westphalia), studied in Düsseldorf and Berlin under Lovis Corinth. He was responsible for a new art form before the First World War. In the spring of 1914, he went with Paul Klee and Louis Moilliet to Tunis. In the same year, he was sent to the front in France, and died in action in Champagne. Ends Feb 2.

Hannover, Sprengel Museum Kurt-Schwitters-Platz: Pablo Picasso, the exhibition is the most complete display of Picasso's works seen in Germany, showing the 417 pieces donated in 1969 by the industrialist Bernhard Sprengel. Sprengel, who died last year, was Germany's leading collector of Picasso's works. The exhibition, with 400 graphic art prints and 17 oil paintings covers the artist's complete artistic range from 1904 to 1968, spanning cubism, classicism and surrealism, as well as Picasso's most recent works. Ends Mar 15.

ITALY

Venice: Palazzo Ducale: China In Venice: Chinese Civilisation from the Han Dynasty to Marco Polo (25-1279 AD): 150 objects, including silks, brocades, jewellery, terracotta figures, glass and porcelain lent by the Peking Museum. Many result from recent excavation, and most have never been out of China. The exhibition covers the main period of Chinese art, and the objects found in tombs, buried with the owner for his use in the hereafter, shed a fascinating light on life in the period. Ends March 1987.

NETHERLANDS

Laren, Singer Museum. Glass creations by Sybren Valkema. Ends Jan 18.

Groningen, Groninger Museum. The use of colour in modern European architecture from 1910 to the present. Ends Jan 25.

SPAIN

Madrid: Julio Gonzalez (1876-1942), Spanish cubist sculptor considered with Picasso the top exponent of this movement; 50 sculptures and 70 drawings on loan by the Ivam, Valencia's modern art museum. Ends Dec 30. Also Miro sculptures (1893-1983): 10() sculptures and 140 drawings on loan by Moma, Georges Pompidou, Miro Foundation and private collections offer a vision of Miro's sculptures of 1930-1970. Ends Jan 20. Both at Centro de Arte Reina Sofia, Santa Isabel 2. Open Tue to Sun: 10.00-21.00. Closed Mondays.

Barcelona. Amos Cahan Collection. Spanish Art in New York. A total of 78 paintings by 35 Spanish artists of the 1950-1970 period who started two significant movements: Madrid's El Paso and Barcelona's Dau al Set. Among the painters are Tapies, Saura, Sempere, Zobel, Tornar, Canogar, Mompo, Cuixart and Guinovart. On loan by Dr Amos Cahan, who has one of the top collections of Spanish contemporary art outside Spain. Caixa de Barcelona, Plaza de Sant Jaume Ciutat 1. Ends Jan 20.

Barcelona, Georges Braque. A retrospective gathers 128 works – drawings, tapestries, sculptures and paintings from 1900 to his death in 1963. Ends Jan 25.

VIENNA

Gold and Power – Spain in the new world: To mark the 500th anniversary of the discovery of the Americas, this huge exhibition of treasures from the Museum of America in Madrid tells the story of the Spanish conquest. The collection, seen for the first time outside Spain, includes ornaments and utensils of indigenous Americans, beautiful Mexican mother of pearl pictures of the blood-and-thunder of the conquest, records of Jesuit missions in Paraguay and stunning gold statues and jewellery from a land mythologised as El Dorado. Vienna is the first stop for this exhibition, which will later travel to Cologne and Budapest. Kunstlerhaus. Ends Jan 25.

NEW YORK

Metropolitan Museum: 80 paintings from the end of Van Gogh's life are the focus of this second of a two-part show of the prolific artist at Saint-Remy and Auvers. The Starry Night and Cypresses come from this period working first in an asylum in Saint-Remy and then in Auvers, where he committed suicide in July 1890. Ends March 22.

CHICAGO

Art Institute: The art of Italian Renaissance armourers, with suits embossed with Greek and Roman deities and fantastic creatures of the artists' imagination, is on display in a special exhibit of French king Henry II's armour borrowed from Hever Castle. Ends Mar 1.

TOKYO

American Pop Culture Images Today with works of 60 American artists the exhibition also features a live concert, videos, junk food corner and other aspects of the American pop culture since much has been grafted on to Japan's youth culture by now, the exhibition should reveal the extent to which the original has been changed for Japanese taste, i.e., japanised. La Foret Museum in Harajuku. (475 0411). Ends Jan 17.

The Nutcracker/Festival Hall

Clement Crisp

It would not now be considered Christmas in London without Festival Ballet playing Santa Claus on the South Bank and sharing out the varied delights of *The Nutcracker* to the young audience and their attendants. Over 35 years, the tradition has grown up of Chaikovsky and snowflakes and sweetmeats being tirelessly on offer between Boxing Day and Twelfth Night (and beyond !).

This year the production is Peter Schaufuss's new revision of the text on which I reported from Plymouth as its first performance in December. Schaufuss's evident desire is to have the best of both worlds, of children's treat and adult entertainment. Yet in this he has, alas, failed. By erecting a structure of references back to Chaikovsky's family life, he has dangerously altered the focus of the piece, and the shifts of action between Chaikovsky's feelings and the original Hoffmann narrative serve only to confuse the issue further. In seeking to give the piece a point of view, he has in effect destroyed its point of view, which is that of an uncomplicated, undemanding childhood dream. Its pleasures could be easily appreciated by the young, but these were pleasures through which the grown-up eye might perceive the lost and magical world of childhood itself.

The Nutcracker can be understood as a mirror which reflects what we wish to see, frivolous or serious, just as Chaikovsky's score — the entire justification for any production — has elements beneath its dazzling surface which may take us into realms of enchantment and nostalgia. Peter Schaufuss's staging is well-intentioned but confusing; does anyone understand the child performers' feeble miming of the tale of the nut Krakatuk, or its reprise through awkward black-outs when Clara is ill? Does anyone care? What *Nutcracker's* audiences seek is Christmas cosiness, the frisson of magic and transformations, whirling snow and a profusion of sweets. To ask for narrative sense or insights into Chaikovsky's psyche is to break the back of the story with a quest for rationality in an art never famous for its logic.

On Wednesday afternoon the production looked somehow dim at the Festival Hall. The shallow stage makes the transformation from house to forest distinctly clumsy, albeit company performances had a willingness that did much to dispel the gloomy lighting in the first act. Mirielle Bourgeois and Tim Almaas were the Sugar Plum Fairy and her Cavalier, in rather decorous interpretations; I would have welcomed from them the charm and sense of physical brightness that Patrick Armand showed as The Nutcracker in the liveliest and most engaging dancing of the afternoon.

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Friday January 2 1987

Japan bites the bullet

FOR SEVERAL years now, Japan has measured the difference between pacifism and militarism in thousandths of 1 per cent of gross national product. At last the Government of Mr Yasuhiro Nakasone has bitten the bullet and pronounced that in the 1987-88 fiscal year defence spending will exceed the 1 per cent shibboleth by .004 per cent.

Mr Nakasone has moved to cross the 10 year old Rubicon because he now has an invincible parliamentary majority and because he senses that the times in Japan have changed. He also is supposed to step down later this year and must have decided to do whoever succeeds him a favour by disposing of a thorny political problem. His desire to do this has ben evident for some time, but he has previously lacked the nerve.

Even now, it is worth pointing out that the 1 per cent ceiling is being breached not because of the size of the increase in defence outlays—at a little over 5 per cent in real terms the planned rise is actually less than the average of recent years—but because the economy has weakened. Indeed, most economists believe that the government's forecast of 3.5 per cent real expansion in the year ahead is distinctly optimistic, which implies that defence will contribute a fractionally larger proportion than budgeted for. Conversely, an economic recovery could theoretically leave the ceiling unbreached, so small is the margin.

Political constraints

In many respects, adherence to the guidelines laid down by the Miki government 10 years ago has served Japan well, no matter how much Washington has complained that Japan has been getting a free ride on defence. It was imposed at a time when there was not only genuine concern at the levels of government spending in the wake of the first oil crisis but also uncertainty over which directions, beyond the purely economic, Japan might take in the world.

The ceiling, in effect, imposed a discipline, as have other guideposts in contemporary Japan, such as the three non-nuclear principles and the limitations on the export of military equipment. Their values have far outweighed any drawbacks of inflexibility. The most important standard of all, of course, is article nine of the postwar constitution, which renounces external aggression.

Throughout his carrer Mr Nakasone has been conspicuously critical of these political and constitutional constraints and he has succeeded in bending some of them mostly to suit us. But he has not yet generated any discernible great constituency in Japan for rewriting the constitution, a fact which ought to reassure its Asian neighbours and others who suffered at Japan's hands in the last war.

Loosening, albeit slightly, the pursestrings could give a stimulus to the Japanese defence industry, until now a diffident factor. It was noteworthy that Japanese defence contractors were in the vanguard lobbying for Japanese participation in the US Strategic Defence Initiative, finally authorised by Mr Nakasone in the autumn. It is eminently possible that Japan could emerge as a significant, if selective, world supplier of technologically sophisticated military equipment, a prospect that the Western powers will view with mixed feelings.

Civilian control

But it is much less clear that this would bring about a change in the status or influence of the Japanese military. Forty years of peace have left the Japanese Self Defence Forces, to use the correct title, with no independent standing in the land. They remain firmly under civilian control and any improvement in their capabilities has been very much within the framework of the US military alliance. Only the darkest conspiracy theorists could see the military today as agents of instability or expansionism.

The lessons of the last war should not be forgotten, least of all by Japan itself. But it is appropriate for Japan to discard an outmoded shibboleth, the defence spending ceiling, so long as it continues to apply the reasonable restraints by which it has set so much store so far. Japan has far more to contribute to the world than military might.

Over to you Mr Martens

ONE MIGHT be forgiven for imagining, on the stroke of midnight on New Year's Eve, a marked lightening in the step of British officials in Brussels, and a feeling of trepidation coming over their Belgian counterparts. It was the moment when Britain passed on the job of presidency of the EEC Council of Ministers.

There is a myth back in the national capitals of the European Community that the rotating six-monthly chairmanship provides each member-state with an opportunity to leave its mark in Brussels. Very rarely does the myth become reality, and the past six months seem no exception to the rule. It is with relief rather than with positive enthusiasm that the baton is handed on to Belgium.

All the signs are that the coming year — the 30th anniversary of signing the founding Treaty of Rome — will be one of the most difficult to date. It is opening with the drum beats of a threatened trade war between the Community and the US, a battle over farm exports which neither can afford to fight and which would leave both sides worse of if it came to pass.

Behind the warlike talk, from the Community's point of view (but matched by the same sort of problem in Washington) lies a bankrupt budget and the ever more desperate need to reform the lumbering Common Agricultural Policy. With its inability to match soaring farm production with declining world demand, resulting in unsaleable food mountains, the CAP has finally become politically unacceptable as it stands. That is hopeful. The budget figures have been fudged for too long—the hidden gap between income and expenditure is now estimated at some Ecu 20bn (£14.6bn)—and in 1987 the bill will have to be faced. That is less hopeful.

Painful reforms

Add to that the changing face of the EEC: with the accession of Spain and Portugal just a year ago yesterday, the balance has changed from northern dominance to a north-south split. The real problems of dealing with more cumbersome decision-making, and of finding policies to reconcile the needs of northern industry and southern agriculture (to name but one contrast) only began to emerge in the past six months. Like the underlying budget crises the British successfully kept them at bay.

In the end, the British presidency did achieve rather more than looked likely a month ago. In spite of an uninspiring London summit (some might suggest even because of it), December finished with a positive rush of decisions through the Council of Ministers. Mr Michael Jopling managed to bludgeon and cajole his fellow agriculture ministers into agreeing a crucial phase of very painful reforms both of the dairy and beef sectors. And the rolling programme to scrap barriers to internal trade achieved a record 47 new measures — less than hoped for, but a lot more than expected.

Instinctive view

None the less, there was no agreement on liberalising air transport, a top British priority. The Council of Ministers failed to agree a 1987 budget with the European parliament, and there was no deal either on a five-year programme for EEC research collaboration, to which many pay lip service but few wish to pay cash. And the US-EEC trade war still looms.

At the time of the London summit last month, a senior EEC diplomat remarked that the British administrative machinery seemed like a highly-tuned and efficient engine—running in second gear. Although British policy has undoubtedly moved in a European direction there is still a feeling elsewhere in the Community that London sees the whole exercise in European co-operation as inter-governmental bargaining, a glorified series of bilateral relationships.

All the main topics on the summit agenda — terrorism, drugs, the campaign against Aids an dcancer, even unemployment—were essentially issues beyond the normal limits of the Community's institutions.

Belgium, on the other hand, is as committed as any to bolstering the Community institutions. It will be a test now whether Mr Wilfried Martens' instinctively European view will prove more succesful in solving the major problems on the Community agenda than Mrs Thatcher.

THE GUINNESS AFFAIR

Out come the skeletons

By Clive Wolman

IT WAS EARLY Monday morning five weeks ago that investigators from the Trade and Industry Department swooped simultaneously on the head office of Guinness, the brewing and spirits company, and on six other financial institutions in London and Edinburgh.

The common link between all the targets of the DTI investigation was their involvement in the £2.5bn Guinness takeover battle for Distillers a year ago, the UK's second largest takeover bid and one of the longest and most acrimonious.

"They came out of the night. Two men just turned up in Muscovite fashion and handed us a letter full of legal jargon," Mr Ernest Saunders, Guinness chief executive, said afterwards.

The letter said that the DTI was interested in the possible misconduct of the affairs of Guinness at the expense of shareholders. Since then, no further information has been given by the DTI or by the two external inspectors, who were appointed to lead the inquiry.

The investigation is unprecedented both in the size of its target, the world's fifth biggest drinks company, and in the opaqueness of its purpose. Other large DTI investigations have generally been launched while the company was embroiled in an open and unresolved dispute.

But the bitterness of the Guinness takeover battle had faded. There was a brief revival of the arguments in the summer when Mr Saunders decided to become chairman as well as chief executive of the company and to discard a written commitment made during the battle to appoint as chairman Sir Thomas Risk, the Bank of Scotland governor. Mr Saunders won the day. Shareholders were deluctant to oppose him because of his record in revitalising Guinness since 1981. Thereafter, the Guinness management continued, with little controversy, its cost-cutting and restructuring programme at Distillers — and at Arthur Bell, the whisky company acquired in 1985.

Throughout the first week of the DTI investigation, Mr Saunders claimed several times that he had no idea what the DTI was interested in and that he had nothing to hide.

However, slowly and painfully, information seeeped out about the conduct of Guinness and its merchant bank adviser Morgan Grenfell during the battle for Distillers they fought against Mr James Gulliver's Argyll Group. The DTI investigators appeared to be concentrating on share dealings in the final stages of the take-over. The investigation, it became clear, was promted by a tip-off to the DTI from the US Securities and Exchange Commission (SEC) under an exchange of information agreement signed in September.

That focused attention on two US wheeler-dealing financiers who had supported Guinness during its take-over battle. One was Mr Meshulam Riklis, whose Rapid American Corporation distributed Dewars whisky, a Distillers brand, in the US through its Schenley Industries subsidiary. Following the Guinness triumph, its lucrative Dewars contract (yielding profits of about $30m a year on $100m sales) was renewed and it was also awarded the US distribution contract for another Distillers product, Gordon's Gin.

The other was Mr Ivan Boesky, the New York merger and takeover arbitrageur, and an associate of Mr Riklis. In mid-November, Mr Boesky was unmasked by the SEC for having traded on inside information about impending takeover bids. In the hope of escaping imprisonment, Mr Boesky talked freely to the SEC about the involvement of others in illicit deals. He even allowed his telephone conversations to be taped.

In late 1985, Mr Boesky, who was taking a growing interest in the UK, built up a stake in Distillers and then offered his assistance to Mr Gulliver, shortly after Argyll launched its bid. The offer was turned down. A few weeks later, Mr Boesky increased his stake in Distillers just before Guinness announced its counterbid, with the approval of the Distillers board, at a higher price. Mr Boesky ultimately pledged his stake to Guinness. Guinness has denied that it gave Mr Boesky any inside information about its planned bid.

In December 1985, the Argyll Group was also approached by Schenley with an offer of support in return for a guarantee that the Dewars contract would be renewed if Argyll won control of Distillers. Argyll declined. It believed Schenley's profit margins were excessive.

As the takeover battle reached its climax in pril, both Boesky and Riklis became active dealers in Distillers and Guinness shares to assist a Guinness victory. Mr Riklis, through Schenley, spent about £60m secretly accumulating a 5.3 per cent stake in Guinness so as to boost the Guinness share price and increase the value of its share offer to Distillers shareholders.

Only on December 11, after the DTI launched its inquiry, did Schenley admit to breaching the Companies Act by failing to disclose its stake after it rose above the 5 per cent threshold on the last day of the bid.

A more damning admission was forced out of Guinness seven days later by two newspaper articles published in the UK and New York. One suggested (wrongly) that the Guinness family, which has a continuing link with the company, planned to take a stake in a limited partnership set up by Mr Boesky last March to invest in takeover situations under his control. The other said that an unknown non-US investor owned a $100m stake in the partnership, 30 per cent of the equity. Guinness had little alternative but to admit that it was the unknown investor.

The admission added to the suspicions of an illicit deal between Guinness and Boesky during the takeover battle, when Mr Boesky was actively seeking investors for his partnership fund. Guinness has denied any such deal and claimed that the $100m was an investment and a prelude to future acquisitions in the US. The DTI investigators are not yet convinced. They have been collecting documents on Mr Boesky's share dealings from Cambrian and general, a former Boesky-controlled investment trust, and Seligmann, Harris, Boesky's London stockbrokers.

The admission of the Boesky stake led to a showdown between Mr Saunders and his four powerful independent directors who were recruited in August to placate City opinion during the Risk controversy. They had not been told of the stake, which was taken in May and approved by the board only retrospectively.

The protagonists: Ernest Saunders (top) with (left) Ivan Boesky and Roger Seelig

Mr Saunders assured them he knew of no more skeletons in the cupboard and promised to provide daily briefings. In fact Guinness had gone to great lengths to shoud the Boesky stake in secrecy. It was kept just below the limit beyond which disclosure is mandatory. It was to have been listed in the balance sheet merely as an investment. And Mr Boesky, who had been circulating the list of all the earlier partners quite widely, was told on no account to reveal the identity of the largest stakeholder.

But earlier this week, another skeleton fell out after the merchant bank Henry Ansbacher told the DTI about an unusual shareholding. It arose from the moves to boost the Guinness share price during the takeover battle which were orchestrated by Morgan Grenfell's star corporate financier, Mr Roger Seelig.

Mr Seelig had played the leading role in underwriting the Guinness bid and in persuading Mr Saunders to make a new bid after the first was referred to the Monopolies and Mergers Commission.

Mr Seelig persuaded several investment institutions to buy Guinness shares by offering to buy back their shares at a guaranteed price so they would suffer no loss if the stock market price fell. The total value of Guinness, and possibly Distillers, shares bought on this basis is estimated at around £50m.

Such indemnities have often been given by merchant bankers on an informal basis during takeover battles. They are designed to exploit a loophole in the Company Act provisions which prevent a company from giving any form of financial assistance to the purchasers of its shares. The merchant bank, rather than its client, pays for the indemnity although typically its costs are recovered through its fees.

But on Monday, it emerged that, at least as far as 2.1m shares were concerned, someone had failed to follow the formalities necessary to sustain this legal facade. Instead Guinness's own money was used directly to buy back the shares at well above market prices under an indemnity commitment given by Mr Seelig. Thus a criminal breach of the Companies Act appears to have been committed, although it is unclear exactly who was responsible. During the takeover battle, the Guinness "war cabinet" that met every day to discuss stock market tactics usually comprised Mr Saunders, his finance director, Mr Oliver Roux, Mr Seelig, Mr David Maybew of Cazenove or another stockbroker, and a lawyer.

Guinness has accused Morgan Grenfell of acting without its authority in using its money to buy back the shares although it must have realised afterwards that £7.5m of its money had gone missing and was tied up in the shares from April to December.

Mr Saunders has now put his position as chairman and chief executive on the line by giving his pledge to the independent directors that he was not involved in any of the dubious manoeuvres to boost the Guinness share price or buy up Distillers shares.

It is quite possible that he preferred to divert his gaze from certain activities. But in most details of the takeover battle he involved himself obsessively.

According to one former senior Guinness employee: "He brings a ferocious intensity to whatever he does, down to the last detail. Once he decided to go for Distillers, he had to win at all costs. The rules were just a hurdle to be overcome. There was too much prestige at stake."

Throughout the battle, few constraints were imposed on him either by his advisers—Mr Seelig was an equally ruthless operator—or his fellow executive directors who are his appointees and have no independent power base. Mr Roux, for example, who is one of several dozen young management consultants on secondment to Guinness.

One of Mr Saunders' greatest achievements at Guinness has been to attract a talented team of middle to senior managers with the help of his considerable charm and an extensive intelligence network used to find out everything about potential recruits. So far he has retained their loyalty and the headhunters have not yet turned the DTI probe to their advantage. Mr Saunders believes that, if he were forced to go, so would most of his senior management team.

Mr Saunders, who is currently taking a break on a Swiss mountainside, is determined to fight. But he could not resist a call for his resignation from the four independent directors, who can expect the backing of major shareholders.

Meanwhile, the DTI investigators must be complimenting each other on the effectiveness of their "cage-rattling," as more and more of the parties come forward to make confessions of the wrongdoings on their consciences. The DTI's response has been to widen its investigations, which could delay publication of its final report until 1988, although an interim report on part of the inquiry may be published by the spring.

But if further damaging information emerges without a detailed rebuttal from the directors, the institutional shareholders, who gave Mr Saunders the benefit of the doubt over the Risk affair, are unlikely to be so patient.

THE KEY DATES

October 1981: Ernest Saunders recruited from Nestles as Guinness managing director.
December 1985: Argyll Group bids for Distillers.
January 1986: Guinness launches £2.2bn counter-bid for Distillers with
April 1986: Guinness triumphs.
July to September 1986: Sir Thomas Risk dispute.
December 1 1986: DTI launches investigation.
December 11: Schenley admits breaching Companies Act by buying 5.3 per cent Guinness stake.
December 19: Guinness discloses $100m stake in Boesky partnership.
December 29: Guinness/Morgan Grenfell accused of using Guinness money to buy and support its own shares. Open dispute between the two.
December 30: Morgan Grenfell resigns as Guinness merchant bank. Seelig forced to resign from Morgan Grenfell.

Men and Matters

Rayner brings in new blood

The pace of change continues to quicken at Marks and Spencer with the board being strengthened by two new non-executive directors from outside retailing.

Dr David Atterton, a former chairmon of Foseco Minsep, the industrial group, and a member of the Court of the Bank of England, was appointed yesterday. Denis Lanigan, vice chairman of J. Walter Thompson, the advertising agency, is to take his seat in April. They will bring the number of M and S non-executive directors to five.

Until very recently the only way to the top in M and S was to start at the bottom. Quite a few directors, including Lord Rayner, the group's chairman, began their careers stocking shelves in the stores.

Appointment to the board of people with experience outside the group is a development spearheaded by Rayner, the first non-family M and S chairman, who succeeded Lord Sieff, grandson of the founder.

Rayner gave notice of the style he was to bring to his direction when he took the chair nearly three years ago. "My job is to manage change," he said. He began by breaking with tradition to go outside to hunt a new finance director, Keith Oates.

Rayner's innovations have included in-store credit cards new lines such as furniture, and large store developments on the edge of towns.

Only this week the group has announced a new foray into the US market with the opening of four women's fashion stores—trading under the name D'Allaird's, which is one of the M and S retailing subsidiaries in Canada.

A few M and S stores will also be opened in the US on an experimental basis.

Although it is 14 years since M and S started operations in North America, the group is unruffled over the length of time being taken to get the operation to its liking.

Maxwell's team

Robert Maxwell, who relaxes by watching his own football club Oxford United, has appointed a new senior player to the management team which he asserts, loudly and confidently, will expand his international printing and publishing business into a £3bn-plus enterprise by 1990.

John Holloran, aged 42, left the chief executive job at printing group McCorquodale, last month after the company was taken over by Norton Opax. He is to be one of two joint executive vice-chairmen of British Printing & Communication Corporation under Maxwell's chairmanship. The other is Jim Sullivan who is based in the BPCC US offices.

Holloran is also to be Maxwell's head printer as chief executive of BPCC Printing Corporation. He succeeds Michael Pegge who is retiring for health reasons but remains an executive director.

Holloran, a long-serving McCorquodale man, tried to fend off the Norton bid last year by a management buy-out. It was during the thick of that epic City battle that he met Maxwell, who bought a stake in McCorquodale (which he later sold to Norton).

Holloran said he got on well with Maxwell at their first meeting. The two men compared what Holloran had done to develop his company with what Maxwell was doing with the bigger BPCC. Clearly Maxwell did not forget either the conversation or the man.

During the take-over fight it was Hollaran's habit to work late into the night at his City flat, sustained by Indian takeaway curries. Having known his new boss a good deal longer than he has I would give Holloran this tip: switch to lobster and champagne.

Leaning curves

Stella Clarke becomes the first woman to head the governing body of a British university as she takes over the chair of Bristol University council.

Bristol has a history of leading the way in the emancipation of women. Just 100 years ago it was among the first universities to admit women on an equal footing with men. In 1928 is was the first to appoint a woman as secretary to the university. Two years later it had the first woman registrar. In 1970 Dorothy Hodgkin became its first woman chancellor.

Clarke, married to a Bristol solicitor and mother of four boys and a girl, has been a school governor, a magistrate, and a BBC governor.

One of her proudest achievements, however, working with her husband, has been to save the Theatre Royal, Bath, and hand it on in good shape to be run by a trust.

Supporters

A group of City of London wags have been taken aback by the suddenness of Roger Seelig's resignation on Tuesday from the leadership of merchant bank Morgan Grenfell's corporate finance team.

In the fortnight before Christmas they had convened at various parties and wine bars, and had debated the launching of a Save the Seelig campaign.

The aim was to rebut the gossip then circulating—motivated by admiration (envy?)—about the fortune Seelig had made by the youthful age of 40 as a significant shareholder in several of Morgan Grenfell's clients—all of which was, of course, perfectly above board.

One waspish follower of the takeover king drafted a greetings card based on an animal rights poster displaying the clubbing of a seal pup. A quick transposition of Seelig's face for that of the animal, a few words changed, and the campaign would have been ready to go public.

However, the more cautious among the jokers decided to wait until the New Year.

Whether it was inside information that led the budding Seelig campaign to hold off is unclear. But Tuesday's development seems to have taken the wind out of its sails.

The City has lost what could have been a greetings card to treasure. And Seelig, a jocular man, would certainly have appreciated the joke.

Observer

. . . Michael Prowse overhears Michel Camdessus, the next managing director of the International Monetary Fund, rehearsing an unusually frank inauguration address

Vive la fraternité

LADIES and gentlemen, it may seem curious but I feel compelled to begin my term as the seventh managing director of the IMF with an apology. For the first time in my life, I am slightly embarrassed to be a Frenchman.

Given the relative size and importance of the French economy, we might reasonably have expected to hold the managing-directorship once in the 40-year history of this great institution. Yet, as it happens, I am the third Frenchman to take the job: I follow in the footsteps of Pierre-Paul Schweitzer (1963-73) and my immediate predecessor, Jacques de Larosiere (1979-86).

There is a tradition that the IMF managing director is always a European, just as the president of the World Bank is always an American. But even this tradition hardly explains France's dominance. It is extremely odd, for example, that neither the United Kingdom nor West Germany has held the top job.

Some will argue that the nationality of the IMF managing director is of little consequence. I disagree. It can be much more than a token of a country's commitment to international economic diplomacy. Is it entirely a coincidence, I wonder, that we in France are more committed to economic co-operation and co-ordination—not to mention devices like currency target zones—than many of our colleagues in Bonn and London?

I shall do all in my power to ensure that the absurd "Europeans only" rule is dropped before the time comes to choose my successor. It is not just Britons and West Germans who have a strong claim on my job. As commentators have stressed, it is bizarre that Japan, the free world's second largest economy, has not yet held the office.

I agree. But I believe it might be even more beneficial if the next managing director came from the Third World — the recipient, so often, of rather austere IMF medicine. A Brazilian or Nigerian might be better placed than a rich European to convince poor countries of the need for belt-tightening.

This brings me to the policies of the IMF which are obviously more important than my nationality. The most pressing challenge the Fund has faced in recent years is the Third World debt crisis.

I have nothing but admiration for the way Jacques de Larosiere rose to the immediate threat posed by Mexico's de facto default in 1982. At a time when the US Treasury was showing little capacity for economic leadership (James Baker did not arrive until 1985), Jacques assumed an invaluable co-ordinating role and protected the integrity of the world banking system.

But *short-run crisis management and long-term solutions* are quite different things. I *must stress how concerned* I am that all of the main debt indicators for developing countries have steadily deteriorated since 1982. Total debt outstanding in 1985, *for example*, was $711bn against only $552bn in 1982; the ratio of debt to exports was 136 *against* 116; and the ratio of debt service to GNP was 5.3 against 4.7.

The undeniable fact is that, while short-run liquidity problems have eased, the long-run burdens imposed by debt have grown more severe. We kid ourselves if we think the much vaunted "case by case" approach to the debt crisis has done any more than buy time.

We also kid ourselves if we believe the political systems of *the Third World* can withstand decades of austerity. Just imagine what it would have been like to *impose* a 50 per cent real wage cut in the UK or France in recent years: the riots would have made the recent Paris demonstrations look like a Sunday school *outing*.

I look forward to working with the World Bank in seeking genuine long-run solutions to Third World indebtedness. The IMF has suffered from a form of short-termism in the past and I want to see it pioneering constructive, growth-orientated programmes in the future. The package devised for Mexico was just a beginning.

In Latin America in particular many countries and regimes have lost faith in the IMF. I intend to rebuild the Fund's credibility. As a sort of cross between international banker and policeman, we cannot expect to be wildly popular among debtor nations. But we can and should expect to be regarded with affectionate respect.

The aim at Bretton Woods in 1944 was not to create a financial ogre — an institution to which countries will turn only when at their last gasp.

I have no hesitation, therefore, in announcing that I will woo the developing world and seek more formally its assistance *in* the design and implementation of adjustment programmes.

At the same time, I intend to take a tougher line with the commercial banks of the First World. Those who *sold loans* so persuasively in the 1970s should be more willing to clear up the *debris of those lending* policies.

It is little short of a scandal that capital should now be *flowing from poorer to richer* countries. It is a perversion of the laws of economic logic — like water running up hill. But what can be done to persuade the commercial banks to resume lending? James Baker's call in Seoul in 1985 for an extra $20bn over three years has gone largely unheeded, suggesting that moral suasion has its limitations.

I intend to investigate more concrete ways of galvanising the private sector banks. *It is* possible, for example, that fiscal incentives could play a part. *Alternatively,* as *has* been suggested before, some form of partial insurance of private *sector loans to debtor countries* might prove practicable.

Whatever happens, the *industrialised world* should not lose sight of the fact that it has to find some systematic means of channelling capital to less developed countries.

We in the rich countries will be in a better position to help the Third World if we first put our own macroeconomic house in order. Vast current account imbalances and wildly oscillating exchange rates are hardly an advertisement for the free market system.

As managing director, I intend to promote the cause of international co-operation and *co-ordination* with all the vigour I can muster. There has to be more effective consultation *among* the *leading* economic powers and stronger surveillance of their policies. It is, after all, the *inconsistency* of national fiscal and monetary policies that is the root cause of external imbalances and instability.

What form enhanced economic co-operation will take, I cannot yet predict. But what I can say is that some means will have to be found to ensure that large creditor countries bear some of the burdens of adjustment.

At Bretton Woods, Keynes proposed a scheme under which large creditor countries would, in effect, have been charged interest on their surplus balances. The idea was turned down and the IMF has since tried to work a system which starts from the premise that debtors are always wholly responsible for their debts. The world is still living with the consequences.

. . . and Anthony Harris stumbles across a memo from Chancellor Nigel Lawson's secretary

Time to invent a few more taxes

FOR THE Chancellor's eyes *only: with the 1987 Budget* little more than three months away, I have prepared preliminary *notes* on *some of* the available courses of action. As I am confident this Budget will not be *your last*, I have included thoughts on one or two of the more radical options.

While *you will no doubt wish* to protect the studied ambiguity of the medium-term financial *strategy, there is a medium-term* problem which must be addressed. The next Budget *seems unlikely to be a farewell* gesture and due weight must be given to its implications for 1988.

Unfortunately it is unusually hard to forecast two major revenue streams: VAT and petroleum revenue tax. There is no precedent for an uncontrolled consumer credit boom, running to satiety this year, next year, sometime, never. *OPEC is an equally wild card.*

Expenditure is also a bit unpredictable. Ministers left out of the Autumn Statement are lining up like Oliver Twists, from the Navy to the Royal Opera House, and it is questionable whether discipline will be reimposed before a general election.

This all suggests the steady-as-she-goes approach (I attach some useful quotations from J. Callaghan). Keep to rather modest forecasts for consumer and government spending; after all, if both overshoot, there is no financing problem.

Oil is fortunately more of a problem for 1988 than 1987, *thanks to the delay in revenue* collection.

Major taxes

A cautious approach, as suggested here, would not leave *room for any large fiscal adjust*ment (because the exceptional level of consumer spending *could not be projected into* 1987-88). In addition I have received a copy of a memo from *the PM urging a substantial cut* in the higher rates of tax to forestall a revenue loss (if all our *retired executives flee* to Florida). This could be a serious medium-term problem. A cut in these *higher rates is* quite economical in revenue terms, but ministers may feel *that it would carry political* risks as an isolated act.

It, therefore, seems desirable to tap a new source of revenue. An extension of the tax base would increase flexibility in 1988 and beyond, enable you to cut mainstream taxes more sharply and might be presented politically as a substitute for the higher rates of income tax.

Three alternatives might be considered

A: A wealth tax. The subject was studied in some depth 12 years ago and the administrative difficulties then foreseen might be easier to tackle now that financial information is more freely available, as a result of policing the markets. It could also be levied at a *low* rate. However, it would *not* be an appropriate way to check emigration by the retired.

B: A land tax. This tax is widely levied *in other countries* (see attached studies) and the preparatory work was done in this department, following the *favourable Royal Commission* report of 1895 and the subsequent tax proposal by Mr Lloyd George (*defeated in the Lords*).

An outcry over the excessive use of credit cards

*It has a number of advan*tages. The source of tax is inalienable, it has no effect on work *incentives and* gives encouragement to bring land into development. It also offers quite a quick *financial return* on public expenditure on motorways, bridges and other investment which raises *land* values and, indeed, on changes in planning policy. (It would also be favourably received *in* the correspondence columns of the FT).

Against this, it would undoubtedly offend the farming lobby (though an EEC-wide, value-based land tax might make a rather poetic contribution to financing the CAP) and would discriminate against one form of wealth as opposed to all others.

C: A value-based property tax. This is in some ways comparable to a land tax and was recently proposed by the auditor-general as the best available base *for local* revenue-raising. This suggests that there would be few administrative problems, *but it would surely be more* appropriate as a basis for a national tax — the arguments are the same *as* those which led ministers to adopt a uniform national business rate.

A private property tax would seem to have the same advantages as a land tax, the base is *inalienable and there is no* effect on work incentives. It does not stimulate development, *but would capture revenue from* rising values—more reliably buoyant than a land tax.

It could be expected to have some favourable regional effects, the revenue yield would be large, even at a *low* percentage rate, and it would fall most heavily on those who would benefit *from* reduced *higher* rates of income tax.

Anticipating your approval, I am pressing ahead with administrative work on this tax.

Other taxes

The present state of affairs in the City offers us a window of *opportunity. Lobbying against* our long-standing proposals to eliminate the tax advantages of *institutional saving* will never be less effective than it is likely to prove now. This would both *raise revenue and* could be presented as a further step towards a shareholding democracy.

There is also something of an outcry about excessive use of credit cards. The declining use *of cash is* a burden on the Exchequer: notes and coins are free borrowing. Cards and electronic transfer are a derogation of the Crown privilege of money issue, or seignorage. A tax on these transactions might have useful economic and revenue effects. It would, however, mean overriding MO targets.

Summary

Forecast assumes: 3 per cent growth of GDP and consumer spending, $1\frac{1}{4}$ per cent increase in (real) public spending, exports perhaps 6 per cent up, small current account deficit (see attached City forecasts), sustainable growth, hope of falling unemployment. Good picture.

Measures: standard rate 25p, single higher rate of 35p, property tax to finance all but £3bn of this, seignorage tax, forecast £$6\frac{1}{2}$bn public sector borrowing requirement, interest rate cut to follow.

Letters to the Editor

Reform of the rates

From the Executive Director, Managerial, Professional and Staff Liaison Group

Sir,—Your lead article of December 23 "Wrong way to reform rates" opens up a very serious debate, and expresses some *opinions* which I am not sure that you can justify.

The organisation that I represent has been careful to ask our membership about this issue by sending out a questionnaire.

Eighty per cent of respondents to the poll supported the *four* main proposals of the Green Paper. Some reservations however were expressed.

What controls *would* be instituted over high-spending local authorities? At present, if a local authority *wants to* increase expenditure it can spread the burden over domestic and *business* ratepayers. If the national business rate is set at a fairly low figure then any increase in *spending* by a local authority would fall entirely on the domestic ratepayer.

The right to levy an additional rate on business premises may be an incentive to unnecessary spending. Because it is available, local authorities will probably take it up whether they really need it or not. If this levy is used to reduce the "community charge" that would be fine, but we fear that it would not be used for this purpose but spent unnecessarily.

In the determination of the "needs" grant who will decide what the "need" is? Will it be the Government or the local authority. We believe that "need" should be determined by the local ratepayers through their elected local authority. If "need" is decided by Government then, no matter what its political complexion, the Government may use the "needs" grant as financial blackmail to force a local authority to do what that Government considers "needs" *to be done*, not what the local electors want to do. "Need" should not be need to carry out *Government* policies or to fulfil Government objectives.

In all, although MPG supports the Government *proposals, it is* wary of greater centralisation and greater Government control. We believe that local electors should control their own affairs, although this may be a counsel of perfection in a situation in which 42 per cent of *local* authority costs are met by Government, since the person who pays the piper always, to some *extent*, calls the tune.

MPG generally accepts that students should pay a community charge *in the area of* their college provided that this does not become an additional burden on the *professional or* managerial worker who is trying to further his children's education but who, because of his income, receives little, if any, assistance from the Government in the form of student grants. MPG supports the proposition that those with two homes should pay an additional "community charge" in the area of their second home.

MPG generally supports the Green Paper as a constructive attempt to improve payment for local government.

Wilfred Aspinall.
Tavistock House,
Tavistock Square, WC1.

Buildings in the City

From Honor Chapman.

Sir,—Most of us would readily agree with C. Douglas Woodward's view "Buildings in the City," (December 15) that ". . . new buildings must have some respect for their neighbours and the character of the City." In practice the aesthetic and amenity aspects of large buildings are open to a broad spectrum of interpretation. It is certainly questionable whether they make the City ". . . an increasingly less attractive place in which to work."

Mr Woodward fails however, to address the central issue facing the City, and indeed the national economy, which is the nature of occupiers' requirements of offices in the late 1980s and how they are likely to be satisfied. The fact of the matter is that the highly competitive international banking and securities market dictates change. Many of the leading City institutions now require large new buildings in order to restructure and expand their international operations. Current immediate floorspace requirements declared by city occupiers to my firm now total over 6m sq ft. The companies who require this space are actively negotiating at the *present time. In addition,* we are aware of serious interest from other companies contemplating a move or *needing* to secure new accommodation which could add a further 3.5m sq ft to this figure. We estimate that over two-thirds of this total demand is for units exceeding 100,000 sq ft. These statistics illustrate the extent of the *demand for* large buildings and cannot be brushed aside by casually remarking "*. . . of course there is a need* for new buildings, and some of them need to be large ones . . ."

To justify his stand against large ("monster") buildings, Mr Woodwards says ". . . it is *interesting* to note how many of the foreign companies who set up branches in the City choose to locate them in comparatively small refurbished buildings in conservation areas!" This is a misleading and erroneous interpretation of events. Many foreign banks and securities houses who set up representative offices and branches in the City are small by definition and are also faced with limited choice of property — they have to compromise and secure accommodation in refurbished buildings. He fails to consider how quickly many of these foreign companies have grown in recent years. Most foreign banking and securities establishments which set up offices in the City during the 1960s and 1970s have grown in employment and space terms. Many have exhibited rapid growth and are now seeking new office buildings greater than 100,000 sq ft.

Honor Chapman,
Jones Lang Wootton,
Kent House,
Telegraph Street, EC2.

Beastliness in Woking

From Mr M. Rothwell

Sir,—Your feature on the property investment policies of Norwich Union (December 19) will have fascinated the scores of thousands of people who have seen that company lay waste at least one community, Woking. In the space of a very few years an unremarkable but pleasant little Victorian town has been systematically levelled. Norwich Union has thrown up over its bones an agglomeration of coldly commercial architectural beastliness.

As a result a considerable population has nothing to enjoy but several million square feet of office space, much of which *is standing empty, a hotchpotch* of mainly second-league retailers, no central hotel, no *proper centre for the young* (except pubs), no theatre, no cinema . . . In a word, no soul.

Two new developments are promised. In an attempt to turn a retail desert into a mall, £8m is to be spent on draping grey, concrete shopping barracks with a kind of glass and wrought iron Georgian parrot cage, so transforming the offensive into the ludicrous.

And when that has been done, it seems that a modern *civic complex that includes the* only two first rate amenities in Woking, a library and a swimming pool, are to be razed and a gigantic office development put in their place. Unfortunately the details of this proposal are still extremely vague; the local authority cares as little for public consultation as the developers for the normal civic decencies.

Mr Martin Olley, Norwich Union's *chief estates manager,* told you: "We support town *centre shopping as a way of* protecting against inner city decay." That is a surprising *comment from a company that* is notorious locally for having turned Woking into a non-place —bereft of *life*, warmth or history, and fast becoming the architectural laughing stock of southern England.

Like many other people who live near Woking but have to go to Guildford to find good shops in a human townscape, I have no axe to grind other than sadness and indignation. Much more of Mr Olley's highly principled development and we shall form a Woking Union and go and ravage Norwich.

M. G. Rothwell.
Friars,
Guildford Rd,
Mayford, Woking,
Surrey.

Ideological swamp

From Mr S. Mizel

Sir,—Claims made by Labour leaders that they will put to work 1m unemployed in their first year of government, must be a commitment of political recklessness.

They may have in mind that period of full employment under Labour, in the aftermath *of World War II. This was in* the circumstances of a devastated Europe and a Britain *both starved of capital* and consumer goods for five years or more.

Employment in Britain was cushioned by replacement demand and shop steward domination encouraging overmanning. A wonderful opportunity for export development was presented by the European rebuilding programme. Industrial conflict, however, caused problems at home, making it difficult to cope with our export competitors on price, quality and delivery.

Industry's long-term export objectives were *frequently* thwarted by a reputation of unreliability, resulting in lost opportunities for both industry and employment. So much then for full employment under Labour's short-term policy.

Handicapped by the ideological swamp into which Labour has been sucked, it has been made difficult to come to terms with the real world of industry and for that matter, its own survival as a viable alternative government.

S. John Mizel.
12 Chepstow Place, W2.

FINANCIAL TIMES

Friday January 2 1987

Austin Rover seeks £400m injection

By Arthur Smith in Birmingham

AUSTIN ROVER, the UK volume car company, is seeking a cash injection of more than £400m ($587m) to cover losses and fund new investment under the Rover Group corporate plan submitted to the Government just before Christmas.

The company has also decided to save £100m on its investment programme by opting to update the present Metro small car rather than pressing ahead with its planned full replacement, code-named the AR8.

Austin Rover, which suffered a first-half trading loss of more than $80m, looks set to double that figure after a disappointing second half just ended. In that period its UK market share continued to slide.

The Government, in order to enable the Rover Group to increase its borrowings from the private sector, is thought to be considering a financial reconstruction that could involve writing off debts incurred by Leyland Trucks and Unipart, the motor components subsidiary. This is in addition to any cash injection for Austin Rover.

The size of the overall contribution to the group required from the Government has yet to be determined. A key question in ministerial discussions about the Rover Group plan over the coming weeks will be the role to be played by Honda of Japan.

Austin Rover has reached agreement with Honda to develop jointly a new middle-range car, code-named the AR8, but there are also hopes within the Government that the Japanese company might take a 20 per cent equity stake in the volume cars operation.

Payment for such a stake could involve Honda assuming development and tooling costs for the new car rather than a cash injection.

Mr Graham Day, personally appointed Rover Group chairman by Prime Minister Margaret Thatcher, is in a strong negotiating position. But the Government will want to weigh carefully any financial reconstruction in what is likely to be an election year.

There is a risk that some Conservative backbenchers might object to further state aid for the loss-making vehicles group.

On the other hand, any package could be presented as assuring a future for the volume cars operation and preserving jobs in the dependent component companies in the West Midlands

Mr Paul Channon, the Trade and Industry Secretary, may have given a pointer with an announcement just before Christmas that the outstanding debts of Rolls-Royce, the aero-engine company, are effectively to be written off before privatisation later this year.

Such a move would be logical for Unipart, currently being sold under a management-led consortium. The component supplier, according to the latest available account at the end of 1985, had an interest-free loan of £73m from the parent company.

Similarly, Leyland Vehicles, including the truck and bus operations, showed an interest-free loan of £374m.

Leyland Trucks is currently in talks with Daf of the Netherlands about further collaboration and with Paccar of the US, which is considering a bid.

A financial reconstruction heralding the return of much of the Rover Group to the private sector and an apparently secure future for the volume car company, albeit at a cost to the public purse, could be politically attractive for the Government.

Mr Day's corporate plan contains a hard-headed appraisal of market prospects for the volume cars company.

Dealers have already been told that Austin Rover is projecting a UK market share of less than 17 per cent for 1987. That compares with the 1986 target of nearly 19 per cent and an actual performance likely to see the company achieve little more than 16 per cent.

Brussels seeks clamp on Japanese components

BY CARLA RAPOPORT IN TOKYO AND QUENTIN PEEL IN BRUSSELS

THE European Commission is considering plans to clamp down on so-called "screwdriver type" assembly operations within the EEC which rely heavily on cheap imported components, especially from Japan.

Under a first draft now being circulated to the 12 member states for their reactions before any formal proposal is made to the Council of Ministers, anti-dumping actions against specific products would also apply to components for those products.

The proposal is already causing serious concern to Japanese exporters. If implemented, it would force an increase in the local content of products manufactured in Europe by Japanese companies and prevent their circumventing anti-dumping duties by exporting parts rather than finished products.

Japanese government officials and industry executives are expected to protest strongly against the proposal, arguing that it would be a strong disincentive to further Japanese investment in Europe. Such investment has been accelerating rapidly, largely due to anti-dumping duties threatened or imposed on finished products such as electronic typewriters, photocopiers and hydraulic exavators, and because of the effects of the rising value of the yen on export margins.

EEC companies such as Philips, the Dutch-based electrical and electronic goods manufacturer, and even Ford, the motor manufacturer, have complained to the Commission that Japanese parts greatly exceed the value of EEC parts in these assembly plants. They claim that the EEC subsidiaries of Japanese companies receive parts at discount rates and thus can undercut competitors in the European market.

The European Parliament has also called for action to close what is seen as the loophole in anti-dumping actions presented by such assembly plants, by extending duties to include parts as well as finished products.

Officials in Brussels confirmed this week that the measure was under serious consideration and had already been discussed with the member states before drafting a first proposal.

"There is a problem, that is clear," a senior official said. "If anti-dumping duties are applied on a certain product, it is quite easy to circumvent the measures by setting up a local assembly plant. If 90 per cent of the parts are produced in Japan, is it a European product?"

Paris concessions fail to win over striking railway workers

BY GEORGE GRAHAM IN PARIS

FURTHER CONCESSIONS to the striking workforce failed yesterday to win an end to the two-week-old conflict crippling the French railway system.

Mr François Lavondes, the mediator appointed earlier this week by the Government, announced that the controversial plan to introduce new merit-linked pay scales had been withdrawn.

The plan, one of the main bones of contention between the strikers and the management of SNCF, the national railway company, had previously been suspended. Mr Lavondes said the management's plan was no longer under discussion but that talks would be held with the aim of agreeing on a new pay structure which would balance promotion on merit and on seniority.

The withdrawal of the plan and the offer of improved working conditions and increased rest days, however, showed little sign of satisfying the strikers. Rail services were reduced yesterday to their lowest level since the strike began, with only 40 trains expected to leave Paris stations.

Railway workers' co-ordinating committees remained sceptical over whether the project to link pay more closely to merit had been completely abandoned and they continued to press their demand for an improved pay offer.

But while the Government has been willing to give ground on the question of structural reforms, it is sticking to the line it has drawn on public-sector pay rises. It is trying to contain these within a limit of 3 per cent in 1987.

Mr Edouard Balladur, Minister of the Economy and Finance, said on New Year's Eve that the social conflict now hitting France should not lead anyone to believe there would be any change in the Government's economic policy.

Blaming the weakness of the French franc in the foreign exchange markets on the buoyancy of the D-Mark, Mr Balladur said he was ready to take "any measures at all to defend the franc," but there would be no change in economic policy and no devaluation.

In a half-day of trading on New Year's Eve, however, the French currency slipped closer to its floor within the exchange rate mechanism of the European Monetary System.

The franc was quoted as low as FFr 3.3136 to the D-Mark, compared with its EMS floor of FFr 3.3303.

EEC sets scene for US trade row

Continued from Page 1

dustrial products, which now face lower duties in Spain.

Between the two sides, the gap remains very wide in spite of months of negotiations. The US is seeking sales of some 3m tonnes a year for its feedgrains while the EEC says it can countenance a maximum import need of 1.6m tonnes for all suppliers – including Argentina, the other major source.

Arrangements agreed in a truce last July, by which the EEC promised to buy 234,000 tonnes a month while negotiations continued, expired on December 31 – although maize imports negotiated under the arrangement will carry on until the end of February.

Neither side can afford a bruising trade war, with the EEC budget already hopelessly overspent and President Ronald Reagan also struggling to bring his budget deficit under control. Diplomats also fear the commercial battle could spill over into the political arena.

On the other hand, both sides face strong political lobbies to take aggressive action. European farmers are under severe pressure to agree drastic reforms of the guaranteed price system in the Common Agricultural Policy and will be furious to see concessions made to outsiders at the same time.

President Reagan faces a Democrat-controlled Congress with a protectionist majority and an angry Farm Belt in the Mid-West, where recent years of depressed grain prices have already taken a dramatic toll of farm incomes. Hopes for higher industrial exports will hardly pacify those lobbies, US officials say.

Holmes à Court raises offer for HWT group

BY OUR FINANCIAL STAFF

THE A$2bn ($1.33bn) takeover battle for Herald and Weekly Times (HWT), the Melbourne-based newspaper and broadcasting group, took a fresh turn yesterday when Mr Robert Holmes à Court, the aggressive Australian entrepreneur, raised his offer for the group by 50 cents to A$13.50 a share.

The new terms come a week after Mr Holmes à Court's original bid of A$13 a share, which itself was a response to an A$12-a-share offer earlier last month from Mr Rupert Murdoch, the Australian-born media entrepreneur.

The latest move in the battle between two of Australia's wealthiest businessmen for control of HTW increases the pressure on the target company's board, which meets today to decide on the bids. Mr Murdoch has given HWT until today to accept his offer, worth A$1.6bn.

Although Mr Holmes à Court's first offer was higher in cash terms than Mr Murdoch's, analysts considered the bid from Mr Murdoch's News Corporation to carry a more attractive alternative to cash – News Corp convertible notes rather than the notes or convertible shares in J. N. Taylor Holdings, a little-known quoted investment company, which Mr Holmes à Court is offering.

In apparent response, Mr Holmes à Court's new bid, made through Taylor, offers HWT shareholders nine Taylor convertible notes or preference shares for every five HWT shares. The initial bid on Christmas Eve offered seven Taylor notes for every four HWT shares.

At the same time Mr Holmes à Court has eased the conditions of his offer by requiring acceptance of only 52 per cent of shares compared with 90 per cent previously. This had been considered an obstacle for Mr Holmes à Court, as Mr Murdoch already has 12 per cent of the shares.

Both entrepreneurs have been invited to today's board meeting, but Mr Murdoch has said he will not attend. He has also made clear that his offer will not be raised although News Corp officials were not available for comment yesterday

China students in mass protest over arrests

Continued from Page 1

Dozens of Dazibao – big character posters – appeared at Peking University on Tuesday, despite the threat of five-year jail sentences for those guilty of spreading "counter-revolutionary" material. One poster told the Government to take note of the demise of the former Philippine President, Mr Ferdinand Marcos, and another suggested that "by shedding our blood we can awaken the Chinese masses".

The students certainly support the reform program led by Deng Xiaoping and complain that it is moving too slowly. They also sense that Deng and his fellow reformers are under attack by more conservative communist leaders, whose messages on the country's alleged lack of direction are somehow being published in the Chinese press.

Wang Zhen, vice-chairman of the party's central advisory commission, has said that some students "are unable to tell right from wrong", and accused people of breaking away from the party. Another senior official, Chen Pixian, said "some of our comrades have paid little attention" to basic communist principles in "the past two years": "This merits our close attention."

Riyadh budget projects deficit of $14bn

By Finn Barre in Riyadh and Richard Johns in London

SAUDI ARABIA'S long-delayed budget, published on Wednesday, is the first in the Kingdom's history to project a deficit and envisages a revenue shortfall in 1987 of the equivalent of $14bn, amounting to 31 per cent of planned expenditure.

Revenue forecasts are based on an oil price of $18 a barrel set by the Organisation of Petroleum Exporting Countries at its conference in Geneva last month, but income from the all-important sector has evidently been estimated with caution.

Income projections are conservative in so far as average oil production is assumed to be 3.87m barrels a day compared with the 4.11m b/d quota given to Saudi Arabia under Opec's latest output sharing pact.

The expected deficit of 52.72bn riyals is probably less than the actual deficit in the 1985-86 fiscal year ending last March, which could have reached SR 70bn. Bankers are confident that the Kingdom's much reduced but still substantial reserves can meet the cost of what will be the Kingdom's fifth consecutive year in the red.

Total expenditure forecast is far higher than had been generally expected. Its size – and the fact that the Government has been willing to acknowledge publicly the need to draw on reserves – was seen by analysts as an emphatic sign of King Fahd's determination to contain deflationary pressure on the Saudi economy. These economic pressures can only strengthen the Kingdom's insistence on maintaining oil prices at around $18 a barrel in line with the strategy decided on by Opec, they believe.

At SR 170bn ($45.33bn), the latest Saudi budget compares with one of SR 200bn originally set for 1985-86 when actual disbursements amounted to SR 181bn, according to the Ministry of Finance and National Economy – meaning that the cut in spending, if the 1987 target is fulfilled, would be 6 per cent.

The shortfall will be covered by further drawing upon the foreign assets held by the Saudi Arabian Monetary Agency. At the last published count at the end of May 1986 these were put at SR 363.38bn, or nearly $100bn, but they would have been further run down over the past nine months. Probably no more than half total is in the form of liquid assets.

The Kingdom has run budget deficits in three consecutive years since 1983-84, but the Government has never before projected one. Abandonment of any pretence at a tight fiscal is clearly aimed at reviving the moribund private sector.

Over the past nine months it has been seriously affected by delays in payments by state departments forcing an increasing number of companies into debt or bankruptcy.

Last March the Saudi Government postponed publications of a budget, initially for a five-month period because of uncertainty about oil prices, and in August it announced that it would not draw up any spending programme at all for 1986.

One reason for King Fahd's insistence on Opec re-establishing a system of fixed prices based on a central reference of $18 was because Riyadh wanted a reasonably firm revenue forecast on which to base a budget for 1987. It will be the first one laid down for a Western calandar year, although it has been officially designated as covering 1407-08 under the Islamic system.

Oil revenues for 1987 have been estimated at SR 65.195bn, or $17.38bn at the current rate of exchange of 3.751 to the dollar set in June following the 2.7 per cent devaluation. The calculation is conservative, taking account of domestic consumption of petroleum products amounting to more than 800,000 b/d.

Oil revenue is projected as providing only 55 per cent of total finance compared with 77 per cent in 1985-86.

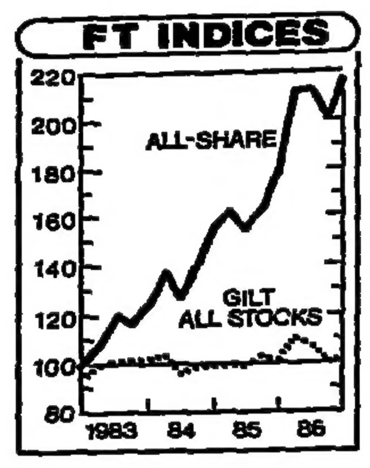
Manpower development is the sector least affected with the SR 23.72bn set aside for it only 1 per cent less than under the last budget.

THE LEX COLUMN

Projections on a moving screen

New Year readings of the market tea-leaves are almost always exercises in hindsight, more than any pretence at forecasting. For obvious and forgivable reasons, what can be said about the year to come has a habit of resembling what one would like to have said about the year just gone. Analysts learn from their mistakes but inevitably extrapolate from their experience.

For at least the last two or three years, that has led to expectations of a mixture which is boringly – if rewardingly – the same as before. Growth (we have tended to say to ourselves) is only too likely to taper off below budget, but at least the financial substructure of the corporate economy is sound, and so is the rest of the scaffolding which sustains the bull market: falling inflation and a reasonable compromise between future inflation and present output.



Straight lines

In the UK, if not elsewhere, that has meant that companies have generally managed to deliver some form of pleasant surprise to shareholders. Earnings growth has been extrapolated in a straight line for longer than most genuine profit models could justify, and when the earnings progression has shown signs of faltering, finance directors have managed to squeeze dividend cover and keep the market anticipating future growth (at least in dividends).

As a map of the UK corporate scene, that probably remains the picture to keep in mind. The mapping may just be done with a ruler – with or without the refinement of logarithmic paper – but the 15 per cent growth in corporate earnings on which we have come to rely is in the brokers' books once more. At very high real discount rates (even with the UK's relatively rapid inflation, the real cost of sterling funds has been rising) that probably underpins an equity market at about its present level: it does not endorse a rising market multiple.

The factor which should distinguish 1987 tea-leaves from other recent vintages is risk. In terms of the world environment and of domestic politics alike, the steadiest corporate earnings picture has to be projected against a more volatile background.

Volatility

Since the Plaza accord of 1985, if not longer, hopes for the expansion of world activity have been based on the gradual move towards a new equilibrium between the surplus and deficit currencies – and particularly on the establishment of a dollar/yen parity that went some distance towards balancing the US/Japanese trade account. If that could be achieved – even to a modest degree – the US might be enabled to resume its historic role as the world's locomotive economy. At worst, the twin deficits would by stages come under control as the devalued dollar choked off the leakage of US demand into increasingly expensive imports.

The problem of the faltering locomotive – the US economy – may now be exaggerated by fallout from the Irangate affair, Boesky and the undermining of the junk-bond method of corporate finance. A lame duck presidency that has been politically compromised is in no way a helpful influence. It remains possible that, even with a fix on the yen/dollar cross, after the Baker-Myazawa pact, the US will stagnate and the Japanese export sector will achieve volume without margin. It is not wild thinking to imagine a year where the political background spells profit stagnation (at best) in the two largest economies.

In normal circumstances, equity markets might look to the monetary authorities to help out with internationally competitive lashings of cheap money. But there is no real sign of a Keynesian counter-revolution. Moreover, the pendulum of deregulation has been halted – if not actually reversed – by the trans-atlantic atmosphere of financial scandal. Thus, it takes no great imagination to see the "steady as she slows" policy of the recent European summit being reinforced by a new wave of financial, if not fiscal, puritanism.

A coming general election in the UK, where the Government may be as much under attack for letting the City rip as for failing to restrain unemployment, is another questionable influence on the markets. Only if the Labour Party preoccupation with non-nuclear defence decisively destroys the opposition in the opinion polls will the looming election become a positive force for gilt-edged or equities. As yet, pre-election nerves have scarcely taken root.

Deluge

From a narrow electioneering perspective, however, there is every reason for UK equities – if not gilt-edged – to look on 1987 with a seasonal glow. Though the institutions stand to be deluged once more with privatisation stocks (British Airways, British Airports, Rolls-Royce, the BP holding . . .), it is clear that the slant of fiscal policy points towards the polling booth.

On the latest news of the PSBR, revenues are rising very nicely, through a mixture of corporation tax receipts and VAT. The amount of net funding that has to be done through the rest of this fiscal year is already looking so modest – despite the precipitous drop in petroleum tax revenues – that a pre-election cut in income tax seems virtually assured. The only serious question on this score is whether there will be time to pass the Finance Bill before election day. Rising unit labour costs, the main element of core inflation, will no doubt make a return to the agenda afterwards – if there is an afterwards.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	C	15	59	Dubrovnik	S	13	55	Malta	F	16	61	Rhodes	F	17	63
Algiers	S	17	63	Edinburgh	R	3	37	Manchester	C	7	45	Rio de J'o	S	31	88
Amsterdam	R	4	39	Faro	F	15	59	Manila	S	33	91	Rome	S	15	59
Athens	F	17	63	Florence	C	10	50	Melbourne	S	19	66	Salzburg	R	6	43
Bahrain	S	17	63	Frankfurt	R	7	45	Mexico City	—	—	—	San Francisco	C	10	50
Bangkok	S	32	90	Funchal	C	18	64	Miami	S	24	75	Seoul	F	-2	28
Barcelona	S	15	59	Geneva	R	6	43	Milan	Fg	-1	30	Singapore	F	30	86
Beirut	S	16	60	Gibraltar	S	16	61	Montreal	C	-2	28	Stockholm	Sn	-13	9
Belfast	R	7	45	Glasgow	R	3	37	Moscow	Sn	-16	3	Strasbourg	R	9	48
Belgrade	S	9	48	Guernsey	R	10	50	Munich	R	6	43	Sydney	C	22	72
Berlin	R	4	39	Helsinki	S	-16	3	Nairobi	S	26	79	Taipei	S	24	75
Biarritz	F	16	60	H. Kong	C	18	64	Naples	C	15	59	Tangier	F	15	59
Bombay	—	—	—	Innsbruck	C	4	39	Nassau	S	21	70	Tel Aviv	S	17	63
Bordeaux	C	14	57	Inverness	—	—	—	New Delhi	S	17	63	Tenerife	S	20	68
Brussels	D	7	45	Islamabad	S	18	64	New York	R	7	45	Tokyo	S	8	46
Budapest	C	9	48	Istanbul	F	11	52	Nice	F	13	55	Toronto	C	2	36
B. Aires	C	19	66	Jakarta	R	31	88	Nicosia	C	13	55	Tunis	S	15	59
Cairo	S	18	64	Jersey	R	10	50	Oporto	C	14	57	Valencia	S	18	64
Cape Town	C	28	86	Jo'burg	F	24	75	Oslo	S	-15	5	Venice	—	—	—
Caracas	S	24	75	Lima	S	26	79	Paris	R	13	55	Vienna	F	11	52
Casablanca	S	14	57	Lisbon	F	15	59	Peking	Sn	-4	25	Warsaw	R	0	32
Chicago	Sn	2	36	Locarno	R	11	52	Prague	F	7	45	Washington	—	—	—
Cologne	R	7	45	Los Angeles	S	21	70	Reykjavik	F	4	39	Zurich	R	7	45
Copenhagen	S	-4	25	Luxembourg	R	6	43								
Corfu	F	14	57	Madrid	S	8	46								
Dallas	—	—	—	Majorca	S	16	61								
Dublin	C	8	46	Malaga	S	14	57								

Readings at mid-day yesterday:
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

SIB early warning rules set out

By Hugo Dixon

AN EARLY-WARNING system to ensure that financial problems faced by investment businesses are reported swiftly was announced on Wednesday by the Securities and Investments Board, the financial services watchdog. The system took the form of the last set of the board's draft rules. It has two main elements.

Firms will have to inform the board by telephone or telex if they breach its capital-adequacy rules and by letter if failure in accounting systems makes it likely they will breach its conduct of business, client-money or financial-regulation rules.

They will also have to notify the board if auditors qualify annual reports, spot weaknesses in internal control systems or are changed for any reason. If auditors resign or are dismissed they will have to write to the board telling it whether there are relevant circumstances which should be brought to its attention.

● The government should have acted a year ago to crack down on insider trading, according to Mr William Carmichael, Scottish Stock Exchange chairman. He attacked critics of the Stock Exchange in the wake of recent City scandals and said members themselves had been hard at work providing information about questionable deals.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Friday January 2 1987

Fermenta shares suspended indefinitely

By Kevin Done, Nordic Correspondent in Stockholm

TRADING in the shares of Fermenta, the deeply troubled Swedish antibiotics and animal health group, is to remain suspended until further notice.

At a crisis meeting of shareholders on Tuesday the company stunned investors with the announcement that it had been forced to cut its forecast for 1986 profits (after financial items) to only SKr 40m ($5.8m) compared with the SKr 700m forecast as recently as late October, following the discovery of a series of irregularities and improper transactions in the accounts.

Mr Bengt Ryden, the director of the Stockholm Stock Exchange, said that the financial information delivered by Fermenta was so scanty and uncertain that it was still impossible to make a correct valuation of the shares.

The trading halt would continue at least until the company had furnished further information and until an examination by the Stock Exchange's own auditors into Fermenta had been completed.

The board of the Stock Exchange is expected to meet soon to consider Fermenta's future as a listed company in the wake of the chaotic events that have enveloped the company and its now ousted chief executive and former main shareholder, Mr Refaat El-Sayed, during the last 12 months.

The debacle has sent shock waves through the Swedish industrial and financial establishment, concerned not least about its reputation abroad. Mr Ryden has proposed that a special committee of inquiry be established to examine the many issues raised by the Fermenta affair.

First Chicago to acquire Beneficial National Bank

BY OUR FINANCIAL STAFF

FIRST CHICAGO, the major US banking group, is to buy Beneficial National Bank USA, the credit card operation of the struggling Beneficial consumer finance concern, for $247m cash in one of the largest purchases of a US credit card business.

The deal follows last month's announcement by Beneficial, the country's second largest consumer finance operation, that it would drastically reduce its business after attempts to sell the company failed. Beneficial described the agreement with First Chicago as "the first and a very significant phase" of a restructuring plan first announced in August.

Beneficial National Bank's main business is issuing Visa and MasterCard cards. Of its $1.1bn in assets at September 30, $1bn were credit card account receivables, making it the 12th largest issuer of bank credit cards in the US.

First Chicago said it was the fifth largest issuer of such cards with $3.4bn in outstanding balances on its First Card accounts. The bank expects to complete the purchase in the second quarter of 1987. "We will then fold the Beneficial operation into our existing credit card operation," said Mr Leo Mullins, executive vice-president for consumer banking operations.

For First Chicago, the deal represents an opportunity to broaden its range of credit card products. A substantial portion of the Beneficial business comes from variable interest rate cards, which the Illinois bank does not have because they are prohibited under state laws.

The acquisition by First Chicago follows the purchase in 1982 of Bankers Trust's credit card portfolio, which had $600m in receivables and 1.1m accounts.

Beneficial said that, including settlement of all intercompany accounts, it expects to receive total proceeds of about $900m. It also expects a pre-tax gain of about $138m on the sale.

Shearson launches late deal

BY CLARE PEARSON

THE RACE was on in the Eurobond market on Wednesday to launch the last deal of 1986.

Morgan Stanley International aimed to lead the final issue of the year during the morning with an innovative issue based on the $4bn floating rate note (FRN) for the UK, issued last September. The two-tranche issue was created by separating out the principal and interest oo $300m of the FRN.

Later, however, Shearson Lehman Brothers International announced it was launching a new collateralised mortgage obligation (CMO), based on mortgages of the US Federal Home Loan Mortgage Corporation. Invitation telexes were sent out during Wednesday evening.

There was little market reaction to Morgan Stanley's deal, as many dealers were away for the New Year holiday period.

The issue is in the name of a special purpose vehicle called Splits (Separate Pass-Through Libor Interest Transferable Securities).

The principal is represented by a zero coupon tranche, priced at 72¼ and redeemable in September 1991 at 99¼, the same time and price as the put option on the underlying FRN. The coupon payments are represented by a floating coupon note, priced at 30¼, which declines to zero as the coupons run out. It pays interest at London interbank bid rate (Libid) less an ⅛ per cent, also mirroring the UKFRN. The first coupon is fixed at 6⅝ per cent.

The issue may be exchanged for an equivalent amount of the underlying FRN if the investor presents both tranches.

Taken together, the two tranches should track the price of the FRN, which trades close to par. The value of the zero coupon element will rise sharply if interest rates move down, while the value of the coupon note will respond to the opposite movement in interest rates.

The cost of the combined issue, less the full fees, amounted to 99¼. The UK FRN was quoted at around 99.30.

No prices of either tranche were available on Wednesday.

Shearson Lehman's $112.48m issue, for Shearson Lehman CMO, has a final maturity in 2018 but, based on the issuer's assumptions about the repayment of the underlying mortgages, its average life is 8¼ years. The par-priced issue pays interest at three-month London interbank offered rate plus ¼ per cent. Fees total 50 basis points.

USX to take $300m charge

USX, the US steel and energy concern known formerly as US Steel, is to take a net $300m extraordinary charge to 1986 earnings due to the planned redemption on March 1 of its Marathon Oil unit's 12¼ per cent guaranteed notes, due March 1 1994.

The charge arises from the elimination of unamortised original issue discount associated with the notes. The early redemption will retire teh entire $2.9bn outstanding of the notes and was described by Mr David Roderick, USX chairman, as a key element int he company's restructuring efforts, saving $140m a year in financial costs.

More international company news on Page 21

Goodyear disposal

Goodyear Tire & Rubber largest US tyre concern, is to sell its Motor Wheel unit, based in Lansing, Michigan to a group led by the segment's management. Terms were not disclosed.

The sale is part of Goodyear's previously announced restructuring programme. Motor Wheel employs about 3,400 people. Separately, Goodyear has sold a package of property assets to SunCor Development, a unit of AZP Group for $221m.

Transworld liquidation

Transworld Corp, the US hotels and food services group, is to go ahead with a plan to liquidate the company. Its Hilton International unit, due to be sold to UAL, parent of United Airlines for $980m, will be distributed to a liquidating trust.

Solel Boneh subsidiary sold to Bank Hapoalim

BY JUDITH MALTZ IN TEL AVIV

SOLEL BONEH, the major Israeli civil engineering contractor, has sold a subsidiary to Bank Hapoalim, its largest creditor, for $90m, in a deal which has boosted the debt-ridden company's recovery prospects.

The sale, concluded on Wednesday and one of the largest made in Israel in recent years, will reduce Solel Boneh's accumulated debts by an estimated 20 per cent. It will allow it to fulfil the asset-sale deadlines imposed on it by a recovery programme agreed with the Government and the banks several months ago.

The recovery programme required Solel Boneh to sell $110m worth of its assets over two to three years. The company maintains that following Wednesday's sale it has exceeded this target.

Officials at Bank Hapoalim said yesterday that they had pushed hard for this deal because they feared that otherwise under the pressure of deadlines Solei Bonch would have been forced to sell its assets at unrealistically low prices. They referred to the deal as an "elegant solution" to the problems of a company and its creditor, as it served the interests of both parties.

The subsidiary being sold is Diyur, a property company with holdings throughout Israel. Hapoalim said that it intends to sell off these holdings gradually. The price, according to the bank was set on the basis of "realistic estimates of realisable value."

Hapoalim has asked Bank Leumi Solel Boneh's second largest creditor, to participate in the deal, and is awaiting a response.

Solel Boneh, once ranked among the top half-dozen contractors in the world, suffered a harsh blow last week when Mr Moshe Zanbar, the chairman, resigned in protest at demands by the Histadrut, the giant labour federation which controls the company, that management should fulfil its commitment to pay wage increases in spite of the company's precarious financial situation.

Tan Sri Khoo hotels well ahead

BY STEVEN BUTLER IN SINGAPORE

THE publicly traded Singapore hotel interests of Tan Sri Khoo Teck Puat, who has become enmeshed in a financial tangle involving the National Bank of Brunei and the Brunei Government, reported a strong profit growth in the year ending September.

After-tax profits at Tan Sri Khoo's Singapore flagship, the Goodwood Park Hotel group, jumped by 67.6 per cent to S$24.5m (US$11.2m), although turnover fell slightly to S$379.2m. The increased profits came from higher operational profits, increased investment income, and lower taxes, which result from the Singapore Government's economic recovery programme.

Goodwood Park owns three hotels in Singapore, and 53 per cent of the listed Hotel Malaysia, which itself posted a 56.9 per cent rise in after-tax profits to S$3.2m, while turnover increased by 40.4 per cent to S$102.8m.

Goodwood Park declared a second and final dividend of 25 cents.

The directors said they expect the coming year to be difficult because of the continued opening of new hotels in Singapore, which has a massive glut of hotel rooms, although they expect some relief due to measures recently taken by the government to boost the industry.

Goodwood Park Hotel and Hotel Malaysia recently reported to the Stock Exchange of Singapore that the National Bank of Brunei had acquired 15.91 per cent of Goodwood's paid-up capital, and 8.14 per cent of Hotel Malaysia. These shares were investments of the National Bank of Brunei, most of which were held by nominees. Registration of the shares in the name of the NBB is now nearly complete.

The Brunei Government seized and closed the NBB, which was 70 per cent owned by Khoo family interests, on November 19, charging that B$1.3bn had been lent improperly to the Khoo family companies.

UK COMPANY NEWS

Sarakreek cancels London listing

By Richard Tomkins

Sarakreek, an Amsterdam-quoted US property investment company, has cancelled its London listing for fear that the quotation could make it liable to new US tax legislation.

The company invests in income-producing commercial real estate and manages a portfolio valued at $318m. It said its decision to delist was prompted by the passing of legislation in the US which could subject it to new taxes unless it could show that its shares were primarily and regularly traded on a stock exchange in its country of residence—that is, the Netherlands.

"While the company's management is convinced that its shares are indeed primarily traded on the Amsterdam stock exchange, the unavailability of official statistics on trading volume on the London exchange makes it imperative in the management's view that the company's shares be delisted, thereby removing any possible source of contention," Sarakreek said.

The London stock exchange said it was at a loss to understand Sarakreek's decision. "Dealings in the company's shares were permitted under Rule 535.4, which specifically relates to listings for companies where the majority of the shares are traded outside the UK.

"If there had ever been any question of London becoming the predominant market for Sarakreek, the Stock Exchange would have intervened. All the company need have done was to send its tax office a copy of the rule."

Wyndham profits up in first half

Wyndham Group, with interests in steel fabricating and investment properties, increased its first-half profits by £5,000 to £51,000 and said it was hopeful of a satisfactory full year.

The BMW motor franchise for Cardiff and most parts of Glamorgan had been granted and this division should be fully operational by mid-January.

Furthermore, the engineering order book was back at a high level and the financial services division was continuing to meet its required figures.

Turnover for the half year to September 30 1986 improved from £798,000 to £1.23m.

Earnings amounted to 2.33p (2.1p). The interim dividend is a same-again 0.8p net per 15p share.

Warner Holidays

Warner Holidays turned in vastly improved results for the year ended September 30 1986, with the pre-tax profit moving ahead from £79,000 to £1.04m. Gross revenue improved only from £15.11m to £15.79m.

During the year Grand Metropolitan sold the company to Mecca Leisure Group, a new company formed by management and funded by a group of institutional investors.

John Mowlem

John Mowlem has succeeded in its buy-and-liquidate bid for Glasgow Stockholders' Trust. The construction group announced that it had received acceptances from 82 per cent of stockholders, representing just over 79 per cent of the voting rights. The cash alternative has now closed but the share offer has been extended to January 13.

B&C offers for Exco and Steel are unconditional

BY NIKKI TAIT

British & Commonwealth, the diversified investment and transport group headed by Mr John Gunn, has announced that its two recommended bids—for overseas trading company Steel Brothers and for Exco, the money-broking group — had become unconditional.

In the case of Exco, B & C was able to claim to control more than 50 per cent of the shares when it launched its £655m bid in late-November, having received irrevocable acceptances from two major shareholders — Tan Sri Khoo Teck Puat and First City Financial. By the end of 1986, acceptances had been received in respect of 65.5 per cent of Exco's shares.

With Steel Brothers, the board also recommended acceptance, and less than a month after launching the £90m bid—in early December—B & C claimed control. By Wednesday, acceptances had been received in respect of 11.2 per cent of the shares. With its existing holding, B & C and its subsidiaries now control 58.7 per cent of Steel Brothers' shares.

But Tamween Holdings, the Panamanian registered vehicle for the Lebanese Gargour family which owns a 25.5 per cent stake in Steel Brothers and has been arguing for a higher offer, said on Wednesday evening that it would continue to hold its minority stake and seek to improve the offer terms. It has held a significant interest in Steel Brothers since the early eighties.

Three other major institutional shareholders — Scottish Amicable, Scottish American Investment Company managed by Stewart Ivory and the Co-op — had also not accepted by Wednesday night.

Tanween is now employing Schroders to represent its case, and the bankers said they did not believe the gap between the two companies was large. However, Barings, which is advising B & C, said that no meetings were planned for the New Year, and pointed to the eventual capitulation of the Lebanese minority shareholdings when Blue Circle took over Armitage Shanks in 1980.

On Wednesday, it was announced that Mr Philip D'Angelo, an American director of Exco, had sold 1.59m shares at 259p each — 6p below the cash alternative.

Blackwood Hodge in US move

BY PHILIP COGGAN

Blackwood Hodge, the earth-moving and mining equipment supplier, has made its first US acquisition—the Illinois-based Roland Machinery, purchased for a minimum of $11.25m (£7.6m).

Roland distributes a wide range of earth-moving equipment, including that of Komatsu, which currently has a 15 per cent market share in the US.

Since 1982, Roland's turnover has increased from $10.7m to $16.9m, while pre-tax profits have risen from $81,000 to $1m. Net assets at the time of purchase were approximately $6bn, though Blackwood Hodge considers that the market value of Roland's rental equipment was considerably higher than book value.

The initial cash consideration will be $7.25m and further payments of $4m will be paid over the next three years. In addition, up to $3.25m will be payable dependent on profits performance.

Since 1983, Blackwood has recovered from a £20.6m pre-tax loss. Under Mr Kenneth Scobie, managing director, it is now embarking on an expansion programme.

In June, Blackwood failed in a £19m bid for Benford Concrete. The following month, it raised £12.8m via a two-for-five rights issue.

The group said yesterday that though UK export and domestic markets had been weaker than envisaged, most other areas were trading satisfactorily in the second half in local currency terms.

Simon in £1.4m US acquisition

Simon Engineering, currently fighting off a £173m management "buy-in" from Valuedale, has bought Ladder Towers of the US for an initial cash payment of $2.1m (£1.42m).

Ladder Towers, according to Simon, is a leading fire-fighting aerial ladder and tower manufacturer supplying 20 per cent of the US market.

Simon is also paying, not later than 1991, $3.4m in cash for property and assets currently used in LT's business.

An additional payment in 1991, is dependent on LT's profit performance in intervening years.

The majority of LT's sales are in North America and the acquisition completed a stage of Simon's strategy in gaining a presence in the US firefighting equipment market.

Mr Martin Anderson, of Hill Samuel, Simon's advisers, said LT's pre-tax profis in the year to August were estimated at $400,000. For the current year a figure of $1m was expected.

Mr Anderson said Simon had been engaged in talks with LT a considerable time ago and agreement in principle regarding the acquisition had been reached prior to Valuedale's bid.

Polly Peck share transactions

BY TERRY POVEY

MR ASIL NADIR has bemused the City during this seasonally quiet period by announcing that Restro Investments, the private company through which he holds his commanding stake in Polly Peck International, has raised £272,250 through a series of shares sales and purchases.

In a statement the Jersey-registered Restro said that it had sold 775,000 Polly Peck shares at an average price of 170.2p and had then bought 600,000 at an average of 174.4p. On Wednesday Polly Peck closed at 180p.

No precise details of the timing of the five transactions involved was given. However, Restro gave its "own refinancing arrangements" as the reason for the transactions.

Mr Nadir, Polly Peck's chairman, now holds just under 30m shares, 27.6 per cent of the total, in the packaging, mineral water, textiles and electronics group. Almost all, 28.37m, of these shares are owned through Restro.

Willis Faber buys US broker for £12.5m

Willis Faber, insurance broker, has acquired McAlear Associates, a surplus lines broker based in Grand Rapids, Michigan, for $18.5m (£12.5m).

McAlear, which was previously owned by Harleysville Group, made pre-tax profits of $3.7m in 1985 and had net assets of $760,000 after payment of dividends. The move strengthens Willis Faber's US activities.

The consideration will be in the form of cash, with a further sum of not more than $1m payable depending on McAlear's brokerage income in 1987.

For the year to December 31 1986, after tax profits are not expected to differ materially from those reported in the previous year and will be paid to the vendors in the form of a dividend.

Buyout at Barton Intl

As a result of a management buyout, Mr Ian Lockwood, former marketing director of Amalgamated Distilled Products, the drinks division of the Argyll Group, has acquired various assets and the international export business of Barton International.

Included in the deal are the Glen Scotia Distillery in Campbeltown, and the Littlemill Distillery at Bowling, Dunbartonshire, together with a wide selection of international trademarks, cased stocks and a substantial portfolio of matured single malt and grain whiskies.

Bryson Oil rights result

SHAREHOLDERS took up just under 6.6m shares (62.9 per cent) of Bryson Oil and Gas's £7.1m one-for-one rights issue. Charterhouse Investment Management, the joint underwriters, and Mr D. H. Caspary, chairman and managing director of Bryson, took up the balance.

The Belfast-based, unquoted oil and gas explorer and producer, which announced pre-tax losses of £24,078 in the half-year to June 1986, has exploratory interests in the US and South America.

British Empire Securities and General Trust has an interest in 1,188,700 new ordinary shares (about 5.7 per cent) of Bryson. The investment trust has no other holdings in the company.

Aberfoyle buys out minority stake

As part of its strategy of consolidating its Zimbabwe investments, Aberfoyle Holdings is to use 3.75m of its shares to buy out the minority interests in subsidiary Westar Investments.

Westar is a holding company for the 70 per cent stake Aberfoyle has in GMBL Investments, its Zimbabwe subsidiary. The minority being bought out is held by Globe Investment Trust (14.8 per cent) and Electra Investment Trust (12.7 per cent). Assets being acquired are valued at £3.3m in June.

After completion Globe will hold 9.7 per cent of Aberfoyle and Electra 8.3 per cent.

Pineapple share deals suspended

By Nikki Tait

SHARES IN Pineapple Group, the USM-traded dance studio and marketing group headed by Ms Debbie Moore, were suspended on New Year's Eve at 72p at the company's request.

The official announcement said only that the suspension was "pending publication of a circular letter."

However, Pineapple is thought to be poised to announce a major acquisition, probably in the consumer services line, early in the New Year.

The company raised £2.1m in a rights issue last May, and reorganisation of its traditional fitness and fashion interests helped halve losses in the year to end-July. Directors have forecast a return to profits in the current trading period.

In November, Pineapple also announced the acquisition of Golden Key Promotions, a sales promotion incentives scheme company, at a total cost of £3m of which £500,000 was payable upfront.

MAI lifts stake in LCAH to 29.3%

MAI has increased its stake in London and Continental Advertising Holdings to 29.3 per cent.

The financial services and advertising group on Monday bought a further 500,000 LCAH shares at 115.3p. This compares with its 118p cash offer for the outdoor poster group, and yesterday's unchanged price of 119p.

Rentokil expansion

By Alastair Adams

Rentokil Group, the UK's largest pest control contractor, has acquired Hygiene Management Services and its trade name Disposan from Crest Nicholson.

Providing a dual sanitary dressing disposal and sanpro vending service to industry and commerce, Disposan will be integrated with Rentokil's Sanitact division which generated around 10 per cent of the group's total revenues in 1985 and a larger proportion of profits. Rentokil believes that a great range of services will strengthen Sanitact's share in a UK market which the company currently values at £15m and further enhance its expansion overseas.

Hodgson Welsh link

By Clay Harris

Hodgson Holdings has added the first Welsh links to its growing chain of funeral directors.

The Birmingham-based group is to pay £306,250 for Augustine J. Stone and William Ham, two Cardiff funeral directors under common ownership. Hodgson forecast that the acquisitions would add another 500 funerals to take the group's annual total over 8,000.

The company was now on course for 1986-87 turnover at least 30 per cent above the £2.6m forecast for the year ended October 31, 1986.

Unilever

Unilever yesterday announced that it had completed its $3.1bn or $72.50 a share agreed tender offer for Cheesebrough-Ponds, the US cosmetics company.

Approximately 95 per cent of shareholders have tendered their shares. Remaining shareholders will receive $72.50 after Cheesebrough is merged with Unilever US, a subsidiary of Unilever NV, in the next few months.

UK ECONOMIC INDICATORS

ECONOMIC ACTIVITY—Indices of industrial production, manufacturing output (1980=100); engineering orders (1980=100); retail sales volume (1980=100); retail sales value (1980=100); registered unemployment (excluding school leavers) and unfilled vacancies (000s). All seasonally adjusted.

	Indl. prod.	Mfg. output	Eng. order	Retail vol.	Retail value*	Unem-ployed	Vacs.
1985							
2nd qtr.	109.1	104.5	109	114.9	141.4	3,174	161.7
3rd qtr.	108.2	103.9	104	116.1	145.2	3,124	164.4
4th qtr.	108.4	103.6	105	116.7	177.7	3,122	168.2
1986							
1st qtr.	109.4	102.8	105	118.2	145.4	3,171	168.5
2nd qtr.	108.9	103.5	98	120.0	152.7	3,208	175.6
3rd qtr.	110.5	104.6		122.1	157.4	3,212	200.2
April	110.8	104.1	94	119.3	152.1	3,200	170.2
May	108.5	103.1	101	118.5	149.8	3,205	172.1
June	107.6	103.4	98	121.7	155.4	3,229	184.4
July	109.9	104.5	102	120.9	158.2	3,223	193.2
August	110.6	104.1	104	122.0	155.2	3,219	201.1
September	110.9	105.3		123.2	158.7	3,183	206.4
October	110.6	105.6		123.2	164.7	3,166	212.8
November				126.1		3,146	215.2

OUTPUT—By market sector; consumer goods, investment goods, intermediate goods (materials and fuels); engineering output, metal manufacture, textiles, leather and clothing (1980=100); housing starts (000s, monthly average).

	Cnsmer. goods	Invest. goods	Intmd. goods	Eng. output	Metal mnfg.	Textile etc.	Housg. starts*
1985							
2nd qtr.	103.2	105.2	112.8	105.7	117.7	102.8	18.2
3rd qtr.	104.3	102.5	113.1	103.6	116.2	103.2	17.3
4th qtr.	103.7	102.7	112.5	102.2	114.0	102.4	15.6
1986							
1st qtr.	102.1	102.5	115.5	102.1	111.3	103.1	14.2
2nd qtr.	104.3	100.5	114.9	102.8	110.9	102.3	19.6
3rd qtr.	105.1	101.8	117.0	103.5	107.7	102.4	19.0
April	104.9	101.1	117.9	103.0	108.0	104.0	18.7
May	103.8	100.4	114.2	102.0	111.0	100.0	19.2
June	104.2	100.0	112.7	101.0	113.0	102.0	21.5
July	104.8	101.7	116.1	103.0	108.0	100.0	20.8
August	104.8	101.5	117.6	102.0	106.0	104.0	16.6
September	105.7	102.3	117.3	105.0	109.0	103.0	19.7
October	105.8	103.3	115.0	105.0	111.0	102.0	19.5

EXTERNAL TRADE—Indices of export and import volume (1980=100); viable balance; current balance (£m); oil balance (£m); terms of trade (1980=100); official reserves.

	Export volume	Import volume	Visible balance	Current balance	Oil balance	Terms trade	Reserve US$bn*
1985							
2nd qtr.	120.5	124.8	−124	+1,587	+2,411	97.8	14.32
3rd qtr.	116.2	124.1	−449	+1,445	+1,900	100.2	14.18
4th qtr.	118.9	127.9	−292	+604	+1,893	101.6	15.54
1986							
1st qtr.	116.9	125.7	−1,437	+549	+1,929	101.9	18.75
2nd qtr.	121.8	128.6	−1,579	+275	+750	102.5	19.28
3rd qtr.	123.3	139.1	−3,034	−781	+688	102.2	22.43
April	122.6	123.7	−268	+259	+268	101.8	18.99
May	121.1	131.6	−681	− 63	+215	102.1	19.17
June	121.6	130.5	−630	− 12	+267	102.7	19.28
July	126.3	134.9	−636	+115	+240	103.3	19.86
August	117.0	142.9	−1,514	−763	+189	104.0	18.92
September	126.5	139.5	−885	−124	+268	102.5	22.43
October	125.3	140.6	−835	− 35	+184	102.2	21.99
November	131.5	146.8	−1,652	−232	+334	101.3	22.01

FINANCIAL—Money supply M0, M1 and sterling M3, (three months' growth at annual rate) bank sterling lending to private sector; building societies' net inflow; HP†, new credit; all seasonally adjusted. Clearing Bank base rate (end period).

	M0 %	M1 %	M3 %	Bank lending £m	BS inflow £m	HP lending† £m	Base rate %
1985							
3rd qtr.	2.6	20.5	15.5	+4,625	1,771	3,374	11.50
4th qtr.	2.9	17.0	12.9	+5,378	2,290	3,431	11.50
1986							
1st qtr.	4.1	21.4	19.3	+6,202	2,220	7,385	11.50
2nd qtr.	3.1	24.2	26.6	+6,554	1,432	7,658	10.00
3rd qtr.	5.9	30.7	15.6	+6,901	168	8,304	10.00
April	1.2	20.1	24.3	+1,400	758	2,743	11.50
May	4.3	24.7	34.6	+2,039	590	2,372	10.00
June	3.9	27.8	21.3	+3,035	177	2,543	10.00
July	5.4	34.6	20.5	+3,300	387	2,719	10.00
August	5.7	21.4	7.9	+2,736	452	2,678	10.00
September	6.6	36.5	18.6	+865	−671	2,907	10.00
October	6.3	21.1	15.4	+3,446	1,951	2,796	11.00
November					160		11.00

INFLATION—Indices of earnings (Jan 1980=100); basic materials and fuels, wholesale prices of manufactured products (1980=100); retail prices and food prices (Jan 1974=100); Reuters commodity index (Sept 1931=100); trade weighted value of sterling (1975=100).

	Earn-ings*	Basic matls.*	Whsale. mnfg.*	RPI*	Foods*	Reuters* cmdty.	Sterling
1985							
3rd qtr.	174.4	133.1	140.2	376.2	335.5	1,705	82.2
4th qtr.	176.9	132.6	141.4	378.1	337.4	1,771	79.8
1986							
1st qtr.	179.1	132.4	142.4	380.8	342.3	1,818	75.1
2nd qtr.	184.0	125.8	145.7	385.7	349.5	1,453	78.1
3rd qtr.	187.4	120.8	146.3	386.1	348.1	1,488	71.9
April	184.0	126.9	145.4	385.3	347.4	1,796	76.2
May	182.3	126.4	145.9	386.0	349.5	1,763	76.1
June	185.7	124.2	145.8	385.8	351.4	1,453	75.9
July	187.9	118.8	145.9	384.7	347.4	1,489	74.0
August	187.2	120.3	146.3	385.9	348.6	1,461	71.4
September	188.8	122.4	146.7	387.8	348.3	1,544	70.4
October	188.4	124.2	147.0	388.4	347.6	1,600	67.8
November		127.0	147.3	391.7	347.5	1,617	68.5

* Not seasonally adjusted.

† From January 1986 includes amounts outstanding on credit cards.

UK APPOINTMENTS

Portals Holdings managing director

At PORTALS HOLDINGS Mr John Lloyd has been appointed managing director. He joined the Portals Group in 1971. Within Portals he has occupied a number of senior positions in the water treatment and paper-making divisions before being appointed deputy managing director in May 1985. Mr John Mather, the present managing director, who is due to retire in 1989, becomes an executive director and will undertake special projects.

★

Mr Randall Thomas has been appointed managing director of CHLORIDE AUTOMOTIVE BATTERIES (CABL). He joins Chloride on January 5 from Betec where he has been managing director for the last three years.

★

Mr Nigel Whittaker has been appointed chairman of the CONFEDERATION OF BRITISH INDUSTRY'S distributive trades panel in succession to Mr John Salisse. Mr Whittaker is chairman of B & Q and a director of Woolworth Holdings.

★

MURRAY LAWRENCE & PARTNERS states that as non-marine syndicate No. 362 has increased in capacity Mr Richard J. R. Keeling has decided that, to devote more time to the syndicate, he should relinquish his day-to-day responsibilities as active underwriter of syndicates No. 852 and 825. Therefore, Mr David P. Foreman has been appointed active underwriter for non-marine syndicate No. 852 and Mr David E. S. Shipley active underwriter for non-marine syndicate No. 825, from January 1.

★

From January 1 Miss Elaine D. Williams joins the board of TRANSFERRY SHIPPING COMPANY. She is a barrister and will be responsible for all legal and administration matters. Mr William H. Pitcher, international marketing, and Mr Charles Sheldon, general operations to France, have been appointed associate directors from the same date.

★

At LAZARD BROTHERS AND CO. Mr R. J. Fielden has retired as an executive director but remains a director.

★

Mr Greg Dyke, the director of programmes at TVS Television, has been appointed as an executive director of TELEVISION SOUTH, *the holding company for* the TVS Group.

★

LOMBARD NORTH CENTRAL has appointed Mr John Morgan as director and general manager of its retail credit finance operation, Lombard Tricity Finance.

★

Mr Geoff Burdet has been appointed deputy regional director of NATIONAL WESTMINSTER BANK's outer London region. Previously Lea Valley area director, he succeeds Mr Don Anderson, who becomes the regional executive director.

★

LADIES PRIDE has appointed Mr K. J. Norman as chairman and chief executive. He joined the group as financial director and secretary in 1974 and succeeds Mr F. A. Robson, who has retired. Mr N. J. Tarratt has been appointed secretary.

★

THE BRITISH SOCIETY OF PLANT BREEDERS was formed on January 1 by the merger of The Plant Royalty Bureau and the British Association of Plant Breeders. Elected to the board are: *Mr Martin Clucas, chairman;* Mr A. S. Guthrie, Mr D. A. Randall, Mr D. J. Barner, Mr D. Mason and Mr P. M. Dealtrey; chief executive Mr D. G. McNeil.

★

Mr James W. F. Rucker has been appointed managing director of NAAFI, the Forces trading organisation. Mr Rucker's last appointment was director operational requirements (land) at the Ministry of Defence. He succeeds Mr Brian E. Whitaker, who was managing director for nine years.

★

COMMERCIAL UNION has appointed Mr Barry West as head of general insurance (London market). He will be responsible for planning and implementing a major review of CU's involvement in all areas of the London non-marine insurance market, including the reinsurance market. Mr John Bird will succeed Mr West as head of general insurance (commercial insurances), and Mr Eric Greenwood will succeed Mr Bird as regional manager, London.

★

CROWN FINANCIAL MANAGEMENT has appointed the Earl of Westmorland its chairman. *He has been a director of* Crown since 1978 and a director of its Canadian parent since 1977. Lord Westmorland succeeds Mr Alan Morson, president of Crown Life Insurance Company in Canada. Mr Morson will remain a director of Crown Financial Management.

★

At THE BRITISH AVIATION INSURANCE COMPANY, Mr H. C. J. Vines, a director, has resigned. Mr A. R. N. Ratcliff, chief executive of the Eagle Star Group, has been appointed a director in his place.

★

ARBUTHNOT LATHAM has appointed Mr Lawrence F. Hessman as managing director of its investment management subsidiary, Arbuthnot Fund Managers.

★

Mr Roy Fisher has been appointed chairman of KSM TRADING (UK), a member of the Knok Group.

£ WORLD VALUE OF THE POUND

The table below gives the latest available rate of exchange for the pound against various currencies on December 31, 1986. In some cases rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Abbreviations: (A) approximate rate, no direct quotation available; (F) free rate; (P) based on U.S. dollar parities and going sterling-dollar rates; (T) tourist rate; (Bas) basic rate; (bg) buying rate; (Bk) bankers' rates; (cm) commercial rate; (ch) convertible rate; (fn) financial rate; (exC) exchange certificate rate; (nc) non commercial rate; (nom) nominal; (o) official rate; (sg) selling rate; (c) controlled rate.

COUNTRY	CURRENCY	VALUE OF £ STERLING
Afghanistan	Afghani	99.00
Albania	Lek	10.24
Algeria	Dinar	6.83
Andorra	French Franc	9.45
	Spanish Peseta	194.95
Angola	Kwanza	43.356
Antigua	E. Caribbean $	3.98
Argentina	Austral	1.8250
Aruba	Florin	2.6685
Australia	Australian $	2.2278
Austria	Schilling	20.11
Azores	Portugese Escudo	216.50
Bahamas	Bahama $	1.4825
Bahrain	Dinar	0.5485
Balearic Islands	Spanish Peseta	194.95
Bangladesh	Taka	43.95
Barbados	Barbados $	2.9818
Belgium	Belgian Franc	(cm) 59.45 / (fn) 60.10
Belize	B $	2.9650
Benin	C.F.A. Franc	472.50
Bermuda	Bermudian $	1.4825
Bhutan	Ngultrum	18.95
Bolivia	Bolivian Peso	(o)2,819,817.60
Botswana	Pula	2.695
Brazil	Cruzado	21.7218 (16)
British Virgin Islands	U.S. $	1.4825
Brunei	Brunei $	3.2170
Bulgaria	Lev	1.2857
Burkina Faso	C.F.A. Franc	472.50
Burma	Kyat	10.0258
Burundi	Burundi Franc	179.20
Cameroon	C.F.A. Franc	472.50
Canada	Canadian $	2.0480
Canary Islands	Spanish Peseta	194.95
Cape Verde Islands	Cape V. Escudo	132.3425
Cayman Islands	Cayman Isles. $	1.2379
Cent. Afr. Republic	C.F.A. Franc	472.50
Chad	C.F.A. Franc	472.50
Chile	Chilean Peso	294.29
China	Renminbi Yuan	5.4266
Colombia	Col. Peso	324.32
Comoro Islands	C.F.A. Franc	472.50
Congo (Brazzaville)	C.F.A. Franc	472.50
Costa Rica	Colon	86.86
Cuba	Cuban Peso	1.1847
Cyprus	Cyprus £	0.7390
Czechoslovakia	Koruna	(com) 8.20 / n/c 14.28 / (T) 13.91
Denmark	Danish Kroner	10.90
Djibouti Republic of	Djibouti Franc	257.0
Dominica	E. Caribbean $	3.98
Dominican Republic	Dominican Peso	4.4981 (7)
Ecuador	Sucre	(o) 215.30 / (F) 209.16
Egypt	Egyptian £	1.0378 / 1.9550
El Salvador	Colon	7.3365
Equatorial Guinea	C.F.A. Franc	472.50
Ethiopia	Ethiopian Birr	3.025
Falkland Islands	Falkland Isles £	1.0
Faroe Islands	Danish Kroner	10.90
Fiji Islands	Fiji $	1.6773
Finland	Markka	7.0645
France	Franc	9.4500
French C'ty in Africa	C.F.A. Franc	472.50
French Guiana	Local Franc	9.4500
French Pacific Islands	C.F.P. Franc	165.00
Gabon	C.F.A. Franc	472.50
Gambia	Dalasi	11.0
Germany (East)	Ostmark	2.8525
Germany (West)	Deutsche Mark	2.8525
Ghana	Cedi	221.4640
Gibraltar	Gibraltar £	1.0
Greece	Drachma	204.945
Greenland	Danish Krone	10.82
Grenada	E. Caribbean $	3.98
Guadaloupe	Local Franc	9.4500
Guam	U.S. $	1.4825
Guatemala	Quetzal	1.4825 / (F) 3.9280
Guinea	Franc	501.43
Guinea-Bissau	Peso	251.42
Guyana	Guyanese $	5.8030
Haiti	Gourde	7.4125
Honduras	Lempira	2.9345
Hong Kong	H.K. $	11.5448
Hungary	Forint	67.3514
Iceland	Icelandic Krona	58.7415
India	Indian Rupee	18.95
Indonesia	Rupiah	2416.73
Iran	Rial	110.25
Iraq	Iraqi Dinar	0.4566
Irish Republic	Punt	1.0500
Israel	Shekel	2.1615
Italy	Lira	1985.0
Ivory Coast	C.F.A. Franc	472.50
Jamaica	Jamaican Dollar	7.8450
Japan	Yen	234.50
Jordan	Jordanian Dinar	0.5000
Kampuchea	Riel	N/A
Kenya	Kenya Shilling	23.40
Kiribati	Australian $	2.2278
Korea (North)	Won	1.3936
Korea (South)	Won	1265.85
Kuwait	Kuwaiti Dinar	0.43610
Laos	New Kip	51.8875
Lebanon	Lebanese £	127.6030
Lesotho	Maluti	3.2278
Liberia	Liberian $	1.4825
Libya	Libyan Dinar	0.4674
Liechtenstein	Swiss Franc	2.3900
Luxembourg	Luxembourg Franc	59.45
Macao	Pataca	11.9516
Madeira	Portuguese Escudo	216.50
Malagasy Republic	M.G. Franc	1030.10
Malawi	Kwacha	2.8450
Malaysia	Ringgit	3.8500
Maldive Islands	Rufiyaa	10.3775
Mali Republic	C.F.A. Franc	472.50
Malta	Maltese £	0.5310
Martinique	Local Franc	9.4500
Mauritania	Ouguiya	110.315
Mauritius	Mauritian Rupee	19.05
Mexico	Mexican Peso	(F) 1347.75 / (c) 1326.92
Miquelon	Local Franc	9.4500
Monaco	French Franc	9.4500
Mongolia	Tugrik	4.9745
Montserrat	E. Caribbean $	3.98
Morocco	Dirham	12.55 (sg)
Mozambique	Metical	(A) 58.86
Namibia	S.A. Rand	3.2278
Nauru Islands	Australian $	2.2278
Nepal	Nepalese Rupee	31.56
Netherlands	Guilder	3.2250
Netherland Antilles	Antillian Guilder	2.6685
New Zealand	N.Z. $	2.7908
Nicaragua	Cordoba	1349.16 / (F) 3228.50
Niger Republic	C.F.A. Franc	472.50
Nigeria	Naira	(o) 4.8167 (15)
Norway	Norwegian Krone	10.9225
Oman Sultanate of	Rial Omani	0.5595
Pakistan	Pakistan Rupee	24.85
Panama	Balboa	1.4825
Papua New Guinea	Kina	1.4096
Paraguay	Guarani	346.20 / 953.765
Peru	Inti	(exc(e)20 75 / 28.49
Philippines	Philippine Peso	29.40
Pitcairn Islands	£ Sterling / New Zealand $	— / 2.7908
Poland	Zloty	283.40
Portugal	Escudo	216.50
Puerto Rico	U.S. $	1.4825
Qatar	Qatari Ryal	5.2970
Reunion Isle de la	French Franc	9.4500
Romania	Leu	(cm) 6.17 / (N/C) 15.21
Rwanda	Rwanda Franc	121.84
St. Christopher	E. Caribbean $	3.98
St. Helena	St. Helena £	1.0
St. Lucia	E. Caribbean $	3.98
St. Pierre	Local Franc	9.4500
St. Vincent	E. Caribbean $	3.98
Samoa American	U.S. $	1.4825
San Marino	Italian Lira	1985.0
São Tomé & Principe	Dobra	54.99
Saudi Arabia	Saudi Ryal	5.5590
Senegal	C.F.A. Franc	472.50
Seychelles	S. Rupee	8.49
Sierra Leone	Leone	(o) 50.75
Singapore	Singapore $	3.2170
Solomon Islands	Solomon Is. $	2.90
Somali Republic	Somali Shilling	163.075
South Africa	Rand	(Cm)3.2278 / (Fn) 6.7808
Spain	Peseta	194.95
Spanish ports in North Africa	Peseta	194.95
Sri Lanka	S.L. Rupee	41.30
Sudan Republic	Sudan £	3.7063
Surinam	S. Guilder	2.6463
Swaziland	Lilangeni	3.2278
Sweden	Swedish Krona	10.0150
Switzerland	Swiss Franc	2.3900
Syria	Syrian £	(A) (T) 9.0 / (cm) 5.8188
Taiwan	New Taiwan $	52.15
Tanzania	Tan. Shilling	75.15
Thailand	Baht	37.75
Togo Republic	C.F.A. Franc	472.50
Tonga Islands	Pa'anga	2.2278
Trinidad & Tobago	Trinidad & Tob. $	5.3370
Tunisia	Tunisian Dinar	1.2346 (sg)
Turkey	Turkish Lira	1078.81
Turks & Caicos Islands	U.S. $	1.4825
Tuvalu	Australian $	2.2278
Uganda	Uganda Shilling	1500.0
United States	U.S. $	1.4825
Uruguay	Uruguay Peso	258.12
United Arab Emirates	U.A.E. Dirham	5.4405
USSR	Rouble	0.9747
Vanuatu	Vatu	164.45
Vatican	Italian Lira	1985.0
Venezuela	Bolivar	(4) 6.31 / (5) 11.01 / (6) 30.85
Vietnam	Dong	(o) 117.98
Virgin Islands U.S.	U.S. $	1.4825
Western Samoa	Tala	(A) 3.20
Yemen (North)	Ryal	(A) 14.91 (sg)
Yemen (South)	S. Yemen Dinar	0.5059
Yugoslavia	New Y. Dinar	656.84
Zaire Republic	Zaire	100.7130
Zambia	Kwacha	18.20
Zimbabwe	Zimbabwe $	2.475

‡Rate is the transfer market (controlled). ‡‡ Now one official rate. (1) Essential goods. (2) Preferential rate for priority imports such as foodstuffs. (4) Preferential rate for Public Sector Debt and Essential Imports. (5) Preferential rate. (6) Free rate for luxury imports, remittances of money abroad and foreign travel. (7) Parallel rate. (9) Banknote rate. (10) Rate for exports. (14) Nearly all business transactions. (15) Nigeria, Auction price for dollar N/A. (16) Brazil:—1 cruzado equals 1,000 cruzeiros.

COMMODITIES AND AGRICULTURE

LONDON MARKETS

ALUMINIUM

	Unofficial close (p.m.) £ per tonne	+ or −	High/Low
Cash	770.5-1	−7.25	771/770.5
3 months	785.5-6	−7.75	790/785

Final Kerb close: 786-6.5. Turnover: 8,100 tonnes.

COPPER

Grade A	Unofficial close	+ or −	High/Low
Cash	909-9.5	+1.25	909.5/909
3 months	932-2.5	−0.5	934/927

Final Kerb close: 932-2.5.

Standard			
Cash	888-9	+7	886/888
3 months	908-9	−1.0	909/908

US Producer prices 63.00-66.50 cents per pound. Total Turnover: 20,400 tonnes.

LEAD

	Unofficial close (p.m.) £ per tonne	+ or −	High/Low
Cash	346-7	−9.5	350/346
3 months	315-6	—	316/313

Final Kerb close: 315-5.5. Turnover: 9,200 tonnes. US Spot: 24.00-29.00 cents per pound.

NICKEL

	Unofficial close (p.m.) £ per tonne	+ or −	High/Low
Cash	2370-5	—	—
3 months	2430-2	−5.5	2457/2425

Final Kerb close: 2,430-5. Turnover: 1,170 tonnes.

TIN

KUALA LUMPUR TIN MARKET—Close: — (16.90) ringgit per kg.

ZINC

High grade	Unofficial close (p.m.) £ per tonne	+ or −	High/Low
Cash	560.5-1.5	−0.5	563/561.5
3 months	541.5-2	−9.75	542/539

Final Kerb close: 538-9. Turnover: 2,250 tonnes. US Prime Western: 44.00-44.75 cents per pound.

GOLD

Gold rose $1¼ to $390¾-391¼ on the London bullion market on Wednesday. Sentiment was helped by overnight gains in New York and a weaker dollar. There was some buying to square positions ahead of the New Year holiday, but trading was very quiet. The metal opened at $390¼-390¾, and was fixed in the morning at $390.90. There was no afternoon fixing.

GOLD BULLION (fine ounce) Dec. 31		
Close	$390¾-391¼	(£263¼-264)
Opening	$390¼-390¾	(£265-265½)
M'n'g fix	$390.90	(£264.559)
Aft'n'n fix	—	—

GOLD AND PLATINUM COINS		
Am Eagle	$402-407	(£271¼-274½)
Mapleleaf	$409-413¼	(£275¾-278¾)
Kr'g'r'ng	$390-391	(£263-263¾)
½ Krug	$201-202	(£135¼-136¼)
¼ Krug	$101-102	(£68¼-68¾)
Angel	$399-402	(£269¼-271¼)
1/10 Angel	$39¾-44¼	(£26¾-30¼)
New Sov.	$93-94	(£62¾-63½)
Old Sov.	$91-94	(£61½-63½)
$20 Eagle	420-470	(£283¼-317)
Noble Plat	$480-487	(£323¼-328¼)

SILVER

Silver was fixed 1.65p an ounce lower for spot delivery in the London bullion market yesterday at 357.8p. US cent equivalents of the fixing levels were: spot 528.15c, up 0.65c three-month 535.5c, up 0.5c; six-month 543.5c, up 0.7c; and 12-month 558.3c, up 1.05c.

SILVER per troy oz	Bullion Fixing Price	+ or −	L.M.E. p.m. Unoffic'l	+ or −
Spot	357.80p	−1.65	362.5p	+4.25
3 months	365.20p	−3.55	372p	+5.5
6 months	376.35p	−2.15	—	—
12 months	395.60p	−2.05	—	—

LME—Turnover: 2 (26) lots of 10,000 oz.
Cash high/low 363p.

SOYABEAN MEAL

	Y'sterd'ys close	+ or −	Business done
	£ per tonne		
Feb	125.8-126.0	−0.50	125.5
April	124.0-126.0		125.5
June	120.5-121.0	+0.25	—
August	119.5-120.0		—
October	120.7-121.6		—
Dec	122.8-125.5		—
Feb	125.5-125.5		—

Sales: 3 (1) lots of 20 tonnes.

COFFEE

COFFEE	Yesterday close	+ or −	Business Done
Jan	1632-34	+5.5	1650-1612
Mar	1642-45	+9.5	1659-1627
May	1665-70	+5.0	1685-1655
July	1700-03	+6.5	1714-1690
Sept	1730-55	+17.5	1740-1720
Nov	1710-50	−10.0	—
Jan	1720-70	−15.0	—

Sales: 3,170 (6,466) lots of 5 tonnes. ICO indicator prices (US cents per pound) for December 30: Comp. daily 1979 120.76 (123.64): 15-day average 128.57 (129.64).

COCOA

Futures opened a little steadier and in light volume of trade held the values through to the final call, reports Gill and Duffus.

COCOA	Yesterday's close £ per tonne	+ or −	Business Done
Dec	—	—	1398-1386
March	1425-1426	+6.5	1428-1422
May	1447-1448	+4.5	1449-1444
July	1471-1472	+6.5	1472-1468
Sept	1495-1496	+6.5	1497-1494
Dec	1523-1524	+6.0	1525-1517
March	1552-1555	+7.0	1551

Sales: 1,215 (2,161) lots of 10 tonnes. ICCO indicator prices. Daily price for December 31: 91.88 (90.85); five-day average for January 5: 90.93 (90.51) US cents per pound. Daily price 1658.03 (1641.41): 10-day average 1642.90 (1641.29) SDRs per tonne.

POTATOES

Prices generally continued to rise in quiet pre-holiday trade, but were unable to break through the £150.00 barrier on April, reports Coley and Harper.

Month	Yesterday's close	Previous close	Business done
	£ per tonne		
Feb	106.00	107.50	—
Apr	149.50	148.00	149.80-147.00
May	168.40	166.80	166.00
Nov.	89.00	88.50	—
Feb.	97.50	99.00	—

Sales: 336 (344) lots of 40 tonnes.

INDICES

REUTERS

Dec. 31	Dec. 30	M'th ago	Year ago
1637.4	1640.2	1633.3	1776.5

(Base: September 18 1931=100)

DOW JONES

Dow Jones	Dec. 30	Dec. 29	M'th ago	Year ago
Spot	114.32	114.33	—	124.62
Fut	114.69	114.84	—	132.39

(Base: December 31 1931=100)

MAIN PRICE CHANGES

In tonnes unless otherwise stated.

	Dec. 31 1986	+ or −	Month ago
METALS			
Aluminium			
Free Market	$1205/215	−10	$1175/195
Copper			
Cash Grade A	£909.25	+1.25	£923.25
3 mths	£932.25	−0.5	£948.25
Gold Troy oz	$391	+1.25	$392.5
Lead Cash	£346	−9.5	£355.25
3 mths	£315.5		£326.5
Nickel			
Free Mkt	169/179c	+1	164/184c
Palladium oz	$117.50	−0.05	$117.15
Platinum oz	$465.75	−4	$476.00
Quicksilver†	$159/165	+6.5	$160/170
Silver troy oz	357.80p	−1.65	371.35p
3 mths	365.20p	−3.55	381.30p
Tin			
Free Mkt	£4580/610	+45	£4550/600
Tungsten	$42.10		$47.64
Wolfram 22.04lb	$33/42		$52/42
Zinc	£561	−0.5	£533.25
3 mths	£541.75	−2.75	£533.25
producers	$878		$870
OILS			
Coconut (Phil)	$405z		$412.5
Palm Malayan	$305w		$310
Copra (Phil)	$280		$250
Soyabean (U.S.)	$144		$152
GRAINS			
Barley Fut. Mar.	£113.45	+0.05	£114.65
Maize	£142.00		£146.00
Wheat Fut. Mar.	£113.10	−0.05	£113.80
No. 2 Hard Wint.	‡		‡
OTHERS			
Cocoa Ft. Mar.	£1485.5	+6.5	£1448.5
Coffee Ft. Mar.	£1643.5	+9.5	£1898.5
Cotton A Ind.*	‡		55.65c
Gas Oil Feb.	$151	+5.25	$128
Rubber (kilo)	64.75p		63.5p
Sugar (raw)	$146x	+1.5	$165.5
Wooltops 64s	431p kilo		425p kilo

‡ Unquoted. † Per 75-lb flask. c Cents a pound. * Cotton outlook. x Jan-Feb. z Dec-Jan. u Jan. w Feb. y Feb-March.

GRAINS

Old crop wheat saw first trades at unchanged levels before finding light country and shipper selling which eased values slightly. The major features throughout the day were large shipper to shipper trades and shipper crosses in the March position, together with a 50 lot shipper to shipper Jan/March switch and a 50 lot cross in the May position. Values remained fractionally easier. Old crop barley market was neglected apart from very limited flat buying and Jan/March switching. New crop markets found very little flat trading but did trade a 20 lot Sept/Nov wheat spread and a 20 lot Nov wheat/barley spread, reports T. G. Roddick.

Mnth	WHEAT Yestrdy's close	+ or −	BARLEY Yest'rdy's close	+ or −
Jan	110.50	−0.10	110.50	+0.05
Mar	113.10	−0.05	113.45	+0.05
May	116.35	−0.05	114.90	+0.05
July	117.50	—	—	—
Sep.	100.95	−0.10	100.15	−0.05
Nov.	102.95	+0.05	102.90	−0.05
Jan.	106.00	—	105.85	—

LONDON GRAINS—US dark northern spring No. 1 15 per cent Jan 100.75, Feb 103.25, March 103.50. US No. 2 soft red winter Jan. 104.75 quoted. French 11½-12 per cent Dec 140.50. English feed fob Jan 115.00-116.00, Feb 116.25-116.75, March 117.00-117.75 buyers/sellers. Maize: US No. 3 yellow/French transhipment east coast Dec 142.00. Barley: English feed fob Jan 116.50-117.00 buyers/sellers.

Business done—Wheat: Jan 110.60-10.10, March 113.20-2.70, May 115.40-5.15, July 117.65-7.55, Sept 101.05, Nov 102.90, Jan 106.00. Sales: 202 lots of 100 tonnes. Barley: Jan 110.75-10.60, March 113.40-3.25, May untraded, Sept 100.20, Nov 102.85, Jan untraded. Sales: 195 lots of 100 tonnes.

SUGAR

LONDON DAILY PRICE—Raw sugar $145.00 (£98.00), down $1.50 (down £2.00) a tonne for January-February delivery. White sugar $174.50, down $1.00.

No. 6 Contract	Yest'rdy close	Previous close	Business done
	$ per tonne		
Mar	157.8-158.0	157.8-157.2	158.2-156.4
May	142.0-142.4	140.8-141.4	141.8-141.5
Aug	148.8-148.2	144.8-146.8	145.8-145.8
Oct	155.4-151.8	148.4-158.2	148.8-148.8
Dec	155.2-155.8	155.0-157.0	—
Mar	182.0-184.4	181.4-185.2	—
May	165.8-169.8	166.8-169.0	—

Sales: 519 (1,424) lots of 50 tonnes.
Tate and Lyle delivery price for granulated basis sugar was £200.50 (£202.50) a tonne for export.
International Sugar Agreement—(US cents per pound fob and stowed Caribbean ports.) Prices for December 30: Daily price 5.42 (5.50); 15-day average 5.57 (5.62).

FREIGHT FUTURES

	Close	High/Low	Prev.
Dry Cargo			
Jan.	710/715	715/710	711/714
April	746/750	747/745	743
July	650/651	651/650	647
Oct.	750/754	755/751	750
Jan.	740	745/740	645
Apr.	780/785	785/780	675
July	660/662	—	640
Oct.	750	—	750
BFI.	699	—	697

Turnover: 127 (203).

OIL

	Latest	Change + or −
CRUDE OIL—FOB($ per barrel)—Jan.		
Arab Light	—	—
Arab Heavy	—	—
Dubai	16.75-16.90	+0.025
Brent Blend	17.65-17.75	—
W.T.I. (1pm est)	17.85-17.90	−0.05
Forcados (Nigeria)	—	—
Urals (cif NWE)	—	—
PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	161-164	—
Gas Oil	143-145	—
Heavy fuel oil	90-92	+2
Naphtha	149-151	+4

HEAVY FUEL OIL

Month	Yest'rdy's close US $ per tonne	+ or −	Business Done
Jan.	98.00	+4.75	98.00-96.00
Feb.	96.50	+3.50	—
Mar.	95.50	+2.50	—

Turnover: 11 (0) lots of 100 tonnes.

RUBBER

PHYSICALS—Closing prices (buyers): Spot 64.75p (same): Feb 62.75p (63.00p); March 63.00p (same). Kuala Lumpur fob prices (Malaysian cents a kilo): RSS No 1 220 (same) and SMR 20 200 (same).

FUTURES—Index 646, February 665-675, March 670-680, April-June 675-685, July-Sept 681-686. Sales: 0.

MEAT

MEAT COMMISSION—Average fatstock prices at representative markets. GB—Cattle 92.82p per kg lw (+0.42). GB—Sheep 221.03p per kg est dcw (−20.52). GB—Pigs 74.04p per kg lw (+1.09).

FUTURES—Pigmeat: Jan 102.00, sales 6.

US MARKETS

A RISE in crude oil prices on the world market and a larger than expected US November trade deficit combined to weaken the dollar and produce marked rallies in most futures markets, reports Drexel Burnham Lambert. Commission house, light trade buying and local short-covering helped crude oil futures advance to the $18 level, basis February, but year-end book squaring and local long liquidation prevented any penetration of overlying resistance between $18.00 and $18.05 and major stops at $18.10 were not threatened. General short-covering touched off commission house stops as gold broke overlying resistance at $403-4, basis February. A brief profit-taking decline was quickly halted as fresh buying emerged. Silver and copper both followed gold and oil, and in platinum local involvement in buying platinum against gold saw prices penetrate overhead resistance at the $475 level basis April. In the soft markets both cocoa and coffee featured year-end book-squaring and overspill buying in relatively light volume. In sugar futures commission house short-covering and very light trade buying was sufficient to hold the market steady. Cotton futures traded higher on commission house short-covering following a rise in the A-index, but trade selling at the highs stifled any major move.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb	Close	High	Low	Prev
Jan	50.70	—	—	50.70
Feb	50.85	—	—	50.85
March	51.00	51.00	51.00	51.00
May	51.25	—	—	51.20
July	51.50	—	—	51.40
Sept	51.80	—	—	51.60
Jan	52.20	—	—	52.00
March	52.35	—	—	52.15
May	52.45	—	—	52.25

COCOA 10 tonnes, $/tonne	Close	High	Low	Prev
Dec	2030	2025	2015	2025
March	1935	1937	1915	1924
May	1964	1964	1945	1951
July	1985	1983	1967	1970
Sept	2008	1997	1997	2000
March	2060	2061	2060	2040

COFFEE "C" 37,500 lb, cents/lb	Close	High	Low	Prev
March	136.83	137.50	132.50	132.59
May	138.00	138.45	133.85	133.90
July	138.08	138.40	135.50	136.50
Sept	139.00	140.50	136.80	137.00
Dec	138.25	—	—	138.50
March	138.75	—	—	139.25
May	139.00	—	—	139.25

COPPER 25,000 lb, cents/lb	Close	High	Low	Prev
Jan	60.40	60.35	60.30	60.25
Feb	60.75	—	—	60.60
March	61.15	61.25	61.10	60.95
May	61.75	61.80	61.70	61.55
July	62.15	62.25	62.05	61.90
Sept	62.45	62.45	62.30	62.20
Jan	63.20	—	—	62.95
March	63.55	—	—	63.35
May	63.85	—	—	63.65

COTTON 50,000 lb, cents/lb	Close	High	Low	Prev
March	59.28	59.65	59.05	58.91
May	59.25	59.45	58.95	58.80
July	59.15	59.38	58.00	58.55
Oct	57.60	58.00	57.60	57.80
Dec	57.75	58.09	57.70	57.69
March	58.20	58.50	58.25	58.10
May	58.80	59.10	58.00	58.40

CRUDE OIL (LIGHT) 42,000 US gallons, $/barrels	Close	High	Low	Prev
Feb	17.94	18.00	17.80	17.65
March	17.97	18.06	17.90	17.79
April	17.93	18.00	17.83	17.73
May	17.85	17.89	17.72	17.67
June	17.78	17.85	17.70	17.62
July	17.72	17.80	17.60	17.57
August	17.67	17.75	17.58	17.53
Sept	17.62	—	—	17.49
Oct	17.57	17.70	17.20	17.45

SILVER 5,000 troy oz, cents/troy oz	Close	High	Low	Prev
Jan	540.0	536.5	534.0	528.0
Feb	543.2	—	—	531.2
March	546.0	548.5	531.5	534.0
May	551.5	552.0	539.0	539.5
July	556.9	557.5	545.0	544.8
Sept	562.7	560.0	550.0	550.6
Jan	574.5	—	—	562.4
March	580.4	580.0	580.0	568.3
May	586.6	579.5	579.5	574.5

GOLD 100 troy oz, $/troy oz	Close	High	Low	Prev
Jan	404.9	—	—	390.3
Feb	406.9	407.5	393.8	392.4
March	408.0	408.5	394.2	393.5
April	410.6	411.5	396.7	395.9
June	414.1	414.5	—	399.2
August	417.6	412.5	408.8	402.7
Oct	420.9	—	—	405.9
Feb	428.4	424.5	417.0	413.2
June	435.0	—	—	420.6
Oct	420.9	—	—	408.9

HEATING OIL 42,000 US gallons, cents/US gallons	Close	High	Low	Prev
Jan	48.90	49.20	48.15	47.88
Feb	49.95	50.05	49.60	48.79
March	48.90	50.00	49.20	48.79
April	48.65	49.00	48.20	47.78
May	47.75	47.85	47.40	46.98
June	47.35	47.55	46.90	46.28
July	47.32	—	—	46.25
August	48.07	—	—	47.00
Sept	49.07	—	—	48.00

ORANGE JUICE 15,000 lb, cents/lb	Close	High	Low	Prev
Jan	122.00	124.50	121.40	124.30
March	124.00	126.90	123.05	126.25
May	125.10	128.60	124.80	127.75
July	126.80	128.60	127.50	128.40
Sept	128.50	130.80	129.00	129.25
Jan	127.75	—	—	130.50

PLATINUM 50 troy oz, $/troy oz	Close	High	Low	Prev
Jan	470.7	474.0	460.0	459.0
April	476.2	479.9	465.5	463.5
July	479.7	483.5	469.5	467.0
Jan	487.2	—	—	474.5

SUGAR WORLD "11" 112,000 lb, cents/lb	Close	High	Low	Prev
Jan	5.41	5.30	5.30	5.36
March	6.16	6.17	6.05	6.10
May	6.33	6.34	6.25	6.29
July	6.50	6.46	6.41	6.46
Sept	6.51	—	—	6.47
Oct	6.71	6.72	6.65	6.69
Jan	6.81	—	—	6.79

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb	Close	High	Low	Prev
Feb	55.52	58.42	55.37	58.42
April	56.15	58.90	56.00	56.82
June	55.55	55.95	55.45	55.85
August	54.62	54.80	54.45	54.92
Oct	53.60	54.00	53.80	53.80

LIVE HOGS 30,000 lb, cents/lb	Close	High	Low	Prev
Feb	47.25	48.17	47.10	48.17
April	43.55	44.15	43.50	44.17
June	45.62	46.25	45.50	46.05
July	45.67	46.40	45.55	46.42
August	43.17	43.70	43.05	43.62
Oct	40.62	40.65	40.30	40.52
April	38.95	38.97	38.95	38.95

MAIZE 5,000 bu min, cents/56-lb bushel	Close	High	Low	Prev
March	160.0	160.2	159.2	160.0
May	167.4	168.0	167.0	168.0
July	172.4	172.6	172.0	172.6
Sept	177.0	178.0	177.0	178.0
Dec	180.6	181.2	180.4	181.4
March	189.2	189.2	189.0	189.6
May	193.4	193.4	193.0	194.0

PORK BELLIES 38,000 lb, cents/lb	Close	High	Low	Prev
Feb	66.85	68.30	66.55	68.05
March	65.82	67.20	65.65	67.17
May	65.77	67.30	65.60	67.30
July	64.02	65.50	63.95	65.35
August	61.70	62.95	61.50	62.90

SOYABEANS 5,000 bu min, cents/60-lb bushel	Close	High	Low	Prev
Jan	490.6	491.2	489.2	489.0
March	494.6	495.0	492.4	492.4
May	498.2	498.6	496.4	496.2
July	501.0	502.0	499.0	499.0
August	501.4	502.0	499.4	498.4
Sept	494.4	494.4	493.4	493.0
Nov	494.4	494.6	492.4	493.4
Jan	502.0	502.6	500.4	501.2

SOYABEAN MEAL 100 tons, $/ton	Close	High	Low	Prev
Jan	143.3	143.5	142.2	141.4
March	144.4	144.5	143.5	142.6
May	145.5	145.8	144.6	144.0
July	146.8	146.9	146.0	145.2
August	147.0	147.4	146.5	146.0
Sept	147.6	147.6	146.5	146.5
Oct	148.0	148.0	147.3	147.0
Dec	148.0	—	—	146.5
Jan	150.0	150.0	150.0	—

SOYABEAN OIL 60,000 lb, cents/lb	Close	High	Low	Prev
Jan	15.18	15.22	15.06	15.18
March	15.46	15.52	15.36	15.48
May	15.76	15.81	15.65	15.76
July	15.87	15.96	15.78	15.88
August	15.84	15.88	15.73	15.85
Sept	15.70	15.80	15.70	15.82
Oct	15.80	15.85	15.65	15.82
Dec	15.77	—	—	15.76
Jan	15.80	—	—	15.80

WHEAT 5,000 bu min, cents/60-lb bushel	Close	High	Low	Prev
March	274.4	275.4	273.4	274.2
May	260.6	262.2	260.0	260.4
July	244.6	246.0	244.0	244.4
Sept	245.2	—	—	245.0
Dec	250.4	251.6	250.0	250.0
March	274.4	275.4	273.4	274.2

SPOT PRICES—Chicago loose lard 16.00 (15.50) cents per pound. Handy and Harman silver bullion 536.5 (525.5) cents per troy ounce.

GAS OIL FUTURES

Month	Yest'rdy's close US $ per tonne	+ or −	Business Done
Jan	150.00	+5.25	150.50-44.75
Feb	151.00	+5.25	151.00-47.50
Mar	150.50	+3.75	150.50-47.75
Apr	146.00	+2.50	146.50-46.00
May	143.00	+2.00	143.00
June	142.25	+1.75	—

Turnover: 3,467 (3,500) lots of 100 tonnes.

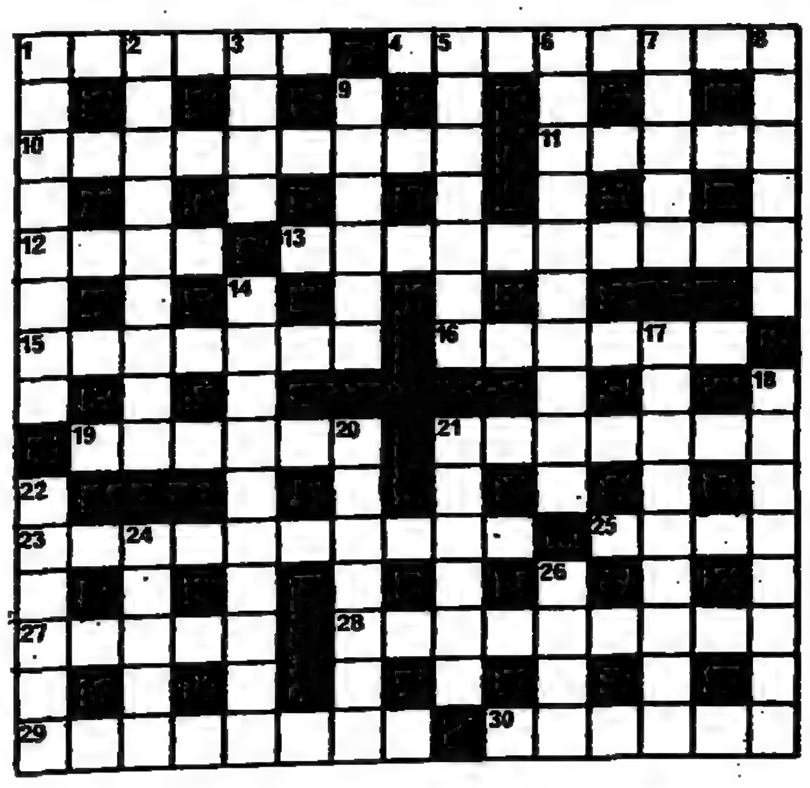
AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

INSURANCES

FT CROSSWORD PUZZLE No. 6,216

VIXEN



ACROSS

1 A journalist's alternative after reversing the drift (6)
4 Ring service-men in pain and talking wildly (8)
10 One's tired out, so leaving (9)
11 Writing about a little support (backing), comes across (5)
12 Genuine old foreign coin (4)
13 A feature to depress a beast (10)
15 Merging in, aren't seen to get on board (7)
16 A bag given to a revolutionary divine (6)
19 Worn out by a fight with 1 across (6)
21 Legal or otherwise, the instruction's brisk (7)
23 Beat record (10)
25 The old ship has a right to proceed (4)
27 A round gold piece (5)
28 See stern characters outside about being upstanding (9)
29 Doubt there'll be many on the street? Rot! (8)
30 The heartless like the Spanish plant (6)

DOWN

1 Aim to consume fish. It's approved of (8)
2 Rent isn't a problem immediately (9)
3 The monster's written in the log—really! (4)
5 They have accommodation for "X" workers (7)
6 Decrepit sheepish creature put in irons (10)
7 The best one to distribute (5)
8 A garrulous person, the airship maker! (6)
9 This may be found growing right outside the church (6)
14 She's a caring girl—but only on occasion! (4-6)
17 Enthusiasm is shown when new gear's seen (9)
18 Enormous deficit in solid fuel (8)
20 Turn aside till some soldiers go over the ship (7)
21 Exalted converse (6)
22 Bill's on the line to confer (6)
24 Such attire may well appear sober (5)
26 Complaint of a good man over old-fashioned article (4)

Solution to Puzzle No. 6,215

ARTESIAN URGENT
M O P P E N R
ANTELOPE STIGMA
Z T A R I I V
OVERSEER TRANCE
N R H C A I E S
DISCONCERT
B S P A C G R Y
ALTERATION
R R E E U P P S
THEISM INDIGENT
E A E T S R R
REMARK FANTASIA
E E V N O I I
DORTER STALWART

AUTHORISED UNIT TRUST & INSURANCES

Gresham Unit—Cont.
Gresham/Framlington Series III

American & Gen	269.2	283.7		—
Capital	394.9	416.1		—
European	125.4	132.1		—
Financial	96.6	101.8		—
Income Trust	362.4	381.9		—
Intl Growth	299.4	315.5		—
Japan & Gen	162.4	171.1		—
Recovery	259.2	273.1		—
Equity	—	—		—
Fixed Interest	—	—		—
Global Growth	103.2	108.7		—
Income	100.4	105.8		—
International Income	95.7	100.8		—
Managed	—	—		—
Money	189.0	199.0		—
North American Growth	94.0	99.1		—
Property	—	—		—
American & General	269.2	283.7		—
Capital	394.8	416.0		—
European	125.4	132.1		—
Financial	96.7	101.9		—
Income Trust	362.4	381.9		—
International Growth	299.4	315.5		—
Japan & General	162.4	171.1		—
Recovery	259.2	273.1		—
Gresham Pension				
Equity	268.4	282.8		—
Fixed Interest	226.1	238.2		—
High Yield	225.9	238.0		—
Managed	427.9	450.9		—
Money	175.6	184.6		—
Property	185.4	195.4		—

Growth & Sec. Life Assce. Soc. Ltd
23 Boltro Rd, Haywards Heath, W. Sussex 0444 413307

Flexible Finance		175.52		—
Landbank Secs		67.09		—
Landbank Secs. Acc.	227.40	233.23		—
G. & S. Super Fd		13.0495		—

Guardian Royal Exchange
Royal Exchange, EC3 01-283 7101

Guardian Assurance				
Property Bonds	398.9	413.5		—
GRE Linked Life Assurance Ltd				
Managed Initial	312.7	329.1	+0.8	—
Do. Accum.	373.1	392.7	+1.0	—
Equity Initial	404.6	425.8	+2.7	—
Do. Accum.	482.7	508.1	+3.3	—
Fixed Int. Initial	232.2	244.5	+0.8	—
Do. Accum.	277.1	291.7	+1.0	—
Intl. Initial	375.7	395.5	−2.8	—
Do. Accum.	448.3	471.9	−3.3	—
North American Initial	136.0	143.2	−4.2	—
Do. Accum.	147.7	[illegible]	−4.5	—
Pacific Initial	216.9	228.3	−1.7	—
Do. Accum.	233.3	245.6	−1.8	—

Kingswood House, Kingswood, Tadworth, Surrey KT20 6EU Burgh Heath 53456 Ex 4475

Ex. Blog. Soc. Lnkd	109.4	115.2		—
Do. Accum	116.3	122.5	+0.1	—
Exempt Cash Init.	197.5	207.9	+0.1	—
Do. Accum.	264.6	278.4	+0.1	—
Exempt Eqty. Init.	622.1	654.9	+1.1	—
Do. Accum.	832.9	876.8	+1.5	—
Exempt Euro Init.	128.9	135.7	−0.2	—
Do. Accum.	132.8	139.8	−0.1	—
Exempt Far East'n Init.	205.9	216.8	−0.1	—
Do. Accum.	212.0	223.2	−0.1	—
Exempt Fixed Init.	321.9	338.9	+0.8	—
Do. Accum.	430.9	453.6	+1.0	—
Ex. Index Lnk. Gilt	101.1	106.5	−0.5	—
Do. Accum.	115.6	121.7	−0.7	—
Exempt Intl. Init.	205.9	216.8	−1.4	—
Do. Accum.	247.4	260.5	−1.4	—
Exempt Mngd. Init.	473.2	498.2	+0.1	—
Do. Accum.	633.5	666.9	+0.1	—
Exempt N. Amer. Init.	128.3	135.1	−0.2	—
Do. Accum.	132.1	139.1	−0.2	—
Exempt Prop. Init.	191.1	201.2	+0.1	—
Do. Accum.	253.8	269.3	—	—
Sp. Deposit Init.	144.8	152.9	.....	11.0
Do. Accum.	172.1	181.2	+0.1	11.0

Prices for Series 2 Pens-ons.
For other prices Tel. Burgh Heath 53456

Liberty Life Assurance Co Ltd
Station Rd, New Barnet 01-440 8210

Sel Sec A	33.2	35.1		—
Managed	26.1	27.5		—
Equity	20.5	21.6		—
Blue Chip	28.7	30.3		—
Special Sits.	28.9	30.4		—
International	37.5	39.5		—
American	24.0	25.3		—
Pacific	33.9	35.7		—
Property	24.0	25.3		—
Fixed Yield	21.2	22.4		—
Index Linked Secs.	11.8	12.5		—
Intl Currency	17.1	18.1		—
Deposit	18.2	19.2		—

London A'deen & Nthn. Mtl. Assur. Ltd
129 Kingsway, London WC2B 6NF 01-404 0393

'Asset Builder'	101.1	107.4	+1.4	—

London Indemnity & Gnl. Ins. Co Ltd
18-20 The Forbury, Reading 583511

Money Mgt Dec 1	111.0	125.0		—
MM Flexible Dec 1	90.17	99.9		—

INSURANCE, OVERSEAS & MONEY FUNDS

OFFSHORE AND OVERSEAS

MANAGEMENT SERVICES

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
Charities Aid Fndtn Money Mngmt Co Ltd Staple Hall, Stone Ct, Houndsditch, EC3 01-283 6463				
CAFCASH Call Fund	10.63	7.97	11.68	3-mth
CAFCASH 7-day Fund	10.80	8.13	11.96	3-mth
The Charities Deposit Fund 2 Fore Street, London EC2Y 5AQ 01-588 1815				
Deposit	10.75	(11.19cart)		1/2-Mth
The Money Market Trust 63 Qn Victoria St, EC4N 4ST. 01-236 0952				
Call Fund	10.74	8.05	11.70	6-mth
7-day Fund	10.83	8.10	11.80	6-mth
Oppenheimer Money Management Ltd 66 Cannon St, EC4N 6AE. 01-236 1425				
Call Fund	10.49	7.86	11.75	6-Mth
7-day Fund	10.45	7.83	11.70	6-Mth
Dollar	19.00	14.25	22.40	6-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Adam & Co. plc 22 Charlotte Sq, Edinburgh EH2 4DF 031-225 8484				
Full Service Cur Acc	10.25	7.50	10.64	Qtr
Aitken Hume 30 City Road, EC1Y 2AY. 01-638 6070				
Treasury Acc	10.25	7.69	11.10	Qtr
Moneyline £1,000-£5,000	10.00	7.49	10.47	Mth
Hgh. Int. Chq. £5,000+	10.25	7.69	11.10	Mth
Allied Arab Bank Ltd 97-101 Cannon St, London, EC4N 5AD 01-283 9111				
High Int. Cheque Acc	11.00	8.22	12.03	Mth
Bank of Scotland 38 Threadneedle St, EC2P 2EH. 01-628 8060				
Money Mkt Cheque Acc	10.25	7.69	11.18	Mth
Barclays Prime Account PO Box 125, Northampton 0604 252891				
High Int. Cheque	10.00	7.50	10.38	Qtr
Benchmark Trust Ltd 9 Henrietta Place, W1M 9AG. 01-631 3313				
Cap Chq Deposit Acc	10.25	7.69	11.16	Mth
Brown Shipley & Co Ltd Founders Court, Lothbury, London EC2R 7HE 01-606 9833				
Demand Acc	10.50	7.88	11.38	Qtr.
Charterhouse Bank Limited 1 Paternoster Row, EC4M 7DH. 01-248 4000				
Sterling	10.375	7.78	11.32	Mth
U.S. Dollar	5.375	4.03	5.76	Mth
German Marks	4.00	2.99	4.27	Mth
Swiss francs	1.00	0.75	1.06	Mth
Japanese Yen	3.50	2.62	3.73	Mth
Citibank Savings St Martins Hse, Hammersmith Grove 01-981 1422				

Western Trust & Savings Limited The Moneycentre, Plymouth PL1 5E 0752 224141

High Int Chq Acc	11.06	8.27	12.01	Qtr

Wimbledon & South West Finance Co Ltd 114 Newgate St, London EC1A 7AE. 01-606 9485

High Int Cheque Acc	11.25	8.41	12.23	Qtr

NOTES—Gross: rate to date except from composite rate of tax. Net: actual rate after deduction of CRT. Gr Equiv CAR: Gross equivalent to basic rate taxpayers—compounded annual rate. Int Cr: frequency interest credited.

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. § Guernsey gross. ‖ Suspended. ◆ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ◆ Yield column shows annualised rates of NAV increase. ad ex dividend.

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		p
Allied-Lyons	27	NEI	8
Amstrad	25	Nat West Bk	48
BAT	35	P & O Dfd	45
BOC Grp.	28	Plessey	16
BSR	11	Polly Peck	36
BTR	26	Racal Elect	15
Babcock	16	RHM	24
Barclays	42	Rank Org Ord	45
Beecham	40	Reed Intnl	25
Blue Circle	55	STC	13
Boots	22	Sears	12
Bowaters	32	TI	40
Brit Aerospace	42	TSB	8
Brit. Telecom	17	Tesco	36
Burton Ord	26	Thorn EMI	42
Cadburys	17	Trust Houses	15
Charter Cons	24	Turner Newall	18
Comm Union	28	Unilever	140
Courtaulds	26	Vickers	36
FNFC	17	Wellcome	17
Gen Accident	75	**Property**	
Gen Electric	15	Brit Land	14
Glaxo	85	Land Securities	30
Grand Met	40	MEPC	32
GUS 'A'	85	Peachey	24
Guardian	75	**Oils**	
GKN	24	BOM	3½
Hanson Tst.	10	Brit Petroleum	50
Hawker Sidd.	42	Burmah Oil	32
ICI	75	Charterhall	4
Jaguar	42	Premier	3½
Ladbroke	32	Shell	65
Legal & Gen	29	Tricentrol	8
Lex Service	32	Ultramar	17
Lloyds Bank	38	**Mines**	
Lucas Inds	44	Cons Gold	62
Marks & Spencer	18	Lonrho	22
Midland Bk	48	Rio T Zinc	62
Morgan Grenfell	26		

A selection of Options traded is given on the London Stock Exchange Report Page.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1986 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
102[illegible]	100[illegible]	Exch. 13¼pc 1987	100[illegible]xd	+[illegible]	—	—
100[illegible]	97[illegible]	Treas 10¼pcCv '87	99[illegible]	−[illegible]	10.27	11.20
99	92[illegible]	Exch 2½pc 1987	98[illegible]	−[illegible]	2.53	11.15
101[illegible]	97[illegible]	Exch. 10½pc 1987	99[illegible]	......	10.52	11.03
98[illegible]	93[illegible]	Funding 6½pc 85-87	98[illegible]	+[illegible]	6.57	9.84
101[illegible]	96[illegible]	Treas. 10pc 1987	99[illegible]	+[illegible]	10.04	10.93
97[illegible]	90[illegible]	Treas 3pc 1987	97[illegible]xd	+[illegible]	3.08	8.34
104[illegible]	99[illegible]	Treas. 12pc 1987	100[illegible]	+[illegible]	11.90	10.80
99[illegible]	92[illegible]	Treas 7¾pc 1985-88‡‡	97[illegible]xd	+[illegible]	7.95	10.38
104	96[illegible]	Exch 10½pc '88	99[illegible]	......	10.55	10.87
102[illegible]	95[illegible]	Treas 9¾pc Cv '88	98[illegible]	−[illegible]	9.90	10.94
94[illegible]	86[illegible]	Transport 3pc '78-88	92[illegible]xd	+[illegible]	3.23	8.22
102[illegible]	93[illegible]	Treas. 9½pc '88	97[illegible]	......	9.74	10.98
107[illegible]	98[illegible]	Treas 11½pc 1989	100[illegible]	−[illegible]	11.40	10.97
103[illegible]	93[illegible]	Treas 9½pc Cnv 1989	97[illegible]	−[illegible]	9.78	10.91
92[illegible]	82[illegible]	Treas 3pc 1989	88[illegible]	+[illegible]	3.38	8.34
105[illegible]	95[illegible]	Treas 10½pc 1989	99[illegible]	−[illegible]	10.59	10.91
104[illegible]	94[illegible]	Exch 10pc 1989	97[illegible]xd	−[illegible]	10.21	11.00
107[illegible]	97	Exch 11pc 1989	100[illegible]	−[illegible]	11.00	10.96
93[illegible]	84[illegible]	Treas 5pc 1986-89	89[illegible]	......	5.61	9.55
110[illegible]	94[illegible]	Exch 10¼pcCv '89	100[illegible]	−[illegible]	10.19	9.98
114[illegible]	103[illegible]	Treas 13pc 1990‡‡	105[illegible]xd	−[illegible]	12.33	10.85
108[illegible]	97[illegible]	Exch 11pc 1990‡‡	100[illegible]	−[illegible]	10.98	10.89
113[illegible]	101[illegible]	Exch. 12½pc 1990	104[illegible]	−[illegible]	11.99	10.89
89[illegible]	79[illegible]	Treas. 3pc 1990	84[illegible]	+[illegible]	3.56	8.46
100[illegible]	89[illegible]	Treas 8¼pc 1987-90‡‡	93[illegible]	+[illegible]	8.84	10.61
106[illegible]	93	Treas. 10pcCv 1990	97[illegible]	......	10.29	10.89
86[illegible]	76[illegible]	Exch 2½pc 1990	81[illegible]	+[illegible]	3.07	8.16
112[illegible]	99[illegible]	Treas 11¾pc 1991	102[illegible]xd	......	11.43	10.86
94[illegible]	83[illegible]	Funding 5¾pc '87-91‡‡	86[illegible]	......	6.62	9.57
86[illegible]	79[illegible]	Treas. 3pc 1991●	79[illegible]	−[illegible]	3.76	8.64

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Cont.

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Cont.

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY & STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

INDUSTRIALS—Continued

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

LEISURE—Continued

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Continued

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

INVESTMENT TRUSTS—Cont.

[illegible]

Finance, Land, etc

[illegible]

FINANCE, LAND—Cont.

[illegible]

OIL AND GAS

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

MINES—Continued

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

Tins

[illegible]

Miscellaneous

1986 High	Low	Stock	Price	+ or –	Div Net	Cvr	Y'ld Gr's
147	30	Anglo-Dominion	140	–6	—	—	—
42	19½	Anglo Utd	34	.....	—	—	—
80	24	♥Colby Res Corp.	25	+1	—	—	—
300	115	Cons. Murch. 10c	£13¾	.....	Q60c	4.4	9.9
44	24	‡Essex Int. 1r10p	39	.....	—	—	—
164	70	Greenwich Res	151	–2	—	—	—
327	165	♥Highwood Res	201	–1	—	—	—
£20⅝	£13⅛	Homestake Mining $1	£16⅜	–⅛	Q20c	—	0.8
310	156	♥McFinley Red Lake	184	–1	—	—	—
285	113	♥Musto Explorations	113	–10	—	—	—
51	28	♥New Sabina Res C$1	42	+2½	—	—	—
353	200	Northgate C$1	307	–1	—	—	—
790	513	RTZ	704	+5	22.0	2.4	4.6
£164	£115	Do. 9½pcLn '95-2000	£145½	+2½	Q9½%	15.5	6.8

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 29 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ◆ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ◆ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- \# Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ◆ Merger bid or reorganisation in progress.
- ◆ Not comparable.
- ◆ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ♦♦ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	60	.....	Fin. 13% 97/02	£98¾	+¼
Craig & Rose £1	£14¾	–¼	Arnotts	485	+3
Finlay Pkg. 5p	51	.....	CPI Hldgs.	42	.....
Holt (Jos) 25p	825	+5	Carrol Inds.	141	.....
IoM Stm. £1	78	.....	Dublin Gas	10	.....
			Hall (R. & H.)	102	+2
IRISH			Heiton Hldgs.	27	.....
Fund 11¼% 1988	£97¼	.....	Irish Ropes	145	.....
Nat. 9¾% 84/89	£92	+¼	Unidare	290	+5

"Recent Issues" and "Rights" Page 16
(International Edition Page 20)

LONDON STOCK EXCHANGE

Account Dealing Dates

*First Dealings	Option Declarations	Last Dealings	Account Day
Dec 8	Dec 18	Dec 19	Jan 5
Dec 22	Jan 8	Jan 9	Jan 19
Jan 12	Jan 22	Jan 23	Feb 2

* New time dealings may take place from 9.00 am two business days earlier.

Firmness in sterling and oil prices brings confident close to the Old Year

The UK securities markets saw the Old Year out in grand style as gains in oil prices and in sterling strengthened the City's confidence in the outlook for domestic interest rates in 1987. However, business faded away at mid-session as traders squared positions ahead of the New Year break which began at noon on Wednesday in many Continental centres.

Government bonds put on as much as ½ point in surprisingly good turnover. After a slow start, equities followed suit, led by financial issues, which looked optimistic ahead of the dividend and profit season which opens in January.

At the close, the FT Government securities index showed a gain of 0.10 at 83.62. The FT-SE 100 index, at 1679.0, gained 5.9, and the FT ordinary index added 5.3 to 1313.9. The FT All Share index ended 1986 at a new peak.

Traders said, "There were no sellers in the gilt-edged market," where yields on long-dated issues slipped to 10.36 per cent. Firmness in sterling appears to have offset worries that January could bring a return of the traditional currency crises of recent years.

Traders refused to be discouraged by the strong start in dealings for the new index-linked Government stock, although index-linked (IL) issues are often bought as an inflation hedge. The new stock, a 2½ per cent Treasury 2024, opened at £29$\frac{1}{16}$, moving up to its partly-paid price of £30 before closing a shade off the top. Dealers commented that a single fund buyer had been identified in the market-place, and that little other business was done.

In equities, oil share prices continued to move up in thin trading as crude prices firmed. The active feature was Britoil, which recorded turnover of 7m shares as Brent crude prices flicked above the magic $18 a barrel mark.

Financial issues, beneficiaries from lower money market rates, were wanted again. Pearl Assurance, however, lit no bonfires with its trading results, which opened the sector's reporting season.

There was a further fall in Morgan Grenfell shares after the bank resigned as financial adviser to Guinness, the troubled brewing group facing a Trade Department inquiry. This week's rally in Guinness shares was stopped in its tracks as the market awaited developments.

Morgan Grenfell down

Fears that further resignations or dismissals over the Guinness affair would follow the sudden departure of corporate finance director, Mr Roger Seelig, prompted renewed weakness in the beleaguered Morgan Grenfell. The shares plummeted initially to 352p before rallying to close a net 8 easier on balance at 362p, a far cry from the 500p level at which they were floated in the summer; the merchant bank's former head of securities operations, Mr Geoffrey Collier, currently awaits trial on insider dealing charges. Guinness, meanwhile, eased to 287p before closing a penny cheaper at 289p, following a turnove of 2.7m shares. Elsewhere, the major clearers ended the year on a fairly buoyant note. Favourable Press comment ahead of the forthcoming dividend season and reports of a pending bullish circular induced renewed support and helped Midland advance 12 more at 606p and Lloyds add 8 afresh at 445p. Barclays rose 6 at 514p as did NatWest at 548p. TSB, scheduled to report annual results on January 29, closed 2 up at 77p.

Lloyds Broker C. E. Heath, a depressed market of late following a staff defection to Citicorp, rallied 4 at 434p. Elsewhere in Insurance, Pearl moved up 18 to 1588p, following details of the 60 per cent increase in new premium income to £181.5m last year.

An otherwise lacklustre session in Breweries was highlighted by Whitbread A which advanced 7 to 270p reflecting talk that a broker's bullish circular is in the offing.

Business in the Building sector remained in low key, but the undertone was basically firm and the leaders managed modest gains where changed. Barratt Developments, recently the subject of a chart buy signal, hardened 2 to 158p, while AMEC continued firmly and closed a penny dearer at 271p. BPB Industries were a shade better at 531p, but Tarmac were unaltered at 424p. Among the second liners, Wettern Brothers gained 6 to 141p awaiting news of the recent bid approach; RMC, mentioned as possible suitors, hld a near 30 per cent stake in the company. Countryside Properties, annual results due on January 7, added 2 to 478p, while McCarthy and Stone added a like amount to 305p.

BICC up again

A resurgent BICC featured the Electrical majors with a fresh gain of 9 at 270p. Racal, still responding to the deal whereby the company is buying out minority partners in its Vodafone cellular telephone network in a £111m cash and shares deal, added 4 more at 192p. STC, on the other hand, cheapened a couple of pence at 174p following news of the surprise decision to omit STC from the dominant new European telecommunications company which will be formed by the merger of the telephone interests of ITT of the US and CGE of France. Among secondary issues, Narhain advanced 15 to 83p and Prestwick added 9 at 60p after revived speculative support, while Multitone continued to reflect a New Year investment recommendation with a fresh gain of 5 at 73p.

A reasonable trade developed in GKN, up 5 at 273p, but there was little else worthy of note in the Engineering leaders. Interest revived in Clyde Blowers, a New Year recommendation, which advanced 15 to 230p. Edbro, the subject of a newsletter tip, moved up 12 to 180p, while Weir Group, recommended by Strauss, Turnbull, edged up a couple of pence more to 123p. Tace regained 15 further to 410p.

Among Food Retailers, Argyll, the favourite to acquire Safeways' UK supermarket operation, hardened 2 to 321p. Tesco firmed 5 to 396p and ASDA-MFI added 3 to 157p. M6 Cash and Carry firmed 2 to 105p. Hillsdown, largely reflecting the efforts of a single buyer, rallied 7 to 218p, while Bassett gained 12 to 200p on revived takeover hopes.

Trusthouse Forte continued to attract buyers and edged up 2 more to 179p, but Grand Metropolitan softened a few pence to 457p. Elsewhere in Hotels and Caterers, Garfunkels moved up 5 to 163p and Kennedy Brookes added 5 to 263p.

Traf. House improve

Interest in the miscellaneous industrial leaders remained at a low ebb, although Trafalgar House were a relatively active market (2.1m) and closed 45 to the good at 276p amid continuing recovery hopes, while Pilkington, reflecting the BTR bid situation, were also fairly lively (11.8m) and settled a shade firmer at 665p. Elsewhere, Williams Holdings continued to respond to recent Press mention and gained 8 more to 570p. Just Rubber moved up smartly to 77p for a gain of 9 following a newsletter recommendation. A speculative flurry left Henry Boot 15 to the good at 295p, but Wyndham Group met fresh selling after the interim statement and gave up 2 more to 131p. Profit-taking clipped 7 from Ipeco at 106p. Demand continued for AAH, up 7 further at 278p and British Aerospace, 5 better at 516p; the latter still reflecting US orders worth around £80m announced earlier in the week. Sale Tilney were firm at 206p, up 8.

US influences coupled with some domestic support helped Jaguar rise 6 further to 537p while Lucas Industries gained ground on a mid-week newsletter recommendation to close 5 up at 478p. AE revived after a lengthy spell of inactivity and ended better at 265p.

Home Counties forged further ahead and closed the old year at a peak 275p, but Associated Newspaper drifted back to 408p. Abbott Mead Vickers were again the firmest Advertising Agency issue, rising 5 more to 228p, while Gold Greenlees picked up 4 at 185p. USM-listed Mess Advertising gave up 3 at 85p and Thorpac were lowered 10 to 215p.

The Property leaders did little more than mark time, but selected secondary issues attracted buyers. Standard Securities gained 10 more to 260p reflecting bid rumours, while A. & J. Mucklow put on 5 to 109p. Residential property developers Bradford were 4 higher at 492p. Elsewhere, Gilbert House added a couple of pence to 85p.

British and Commonwealth Shipping declared its agreed offer for Steel Bros unconditional on Wednesday with a controlling stake of nearly 59 per cent but B and C shares surrendered part of Tuesday's good rise to end 6 down at 295p. Elsewhere, small demand in a limited market raised J. Fisher 5 to 69p.

Selected Textiles ended 1986 at new high points, including Tomkinsons, 240p, and Hugh Mackay, 120p, but the sector's outstanding performer was Early's of Witney which continued this month's good run on property hopes to close 12 up at a best-ever 175p. Robert H. Lowe were also favoured at 148p, for a gain of 5.

Smith New Court's admission that it may have broken company law with a financal incentive scheme for directors touched off small selling of the stock and the price reacted to 150p before ending down at 151p. In contrast among Financial Trusts, Frost Group moved up to a new 1986 high of 128p. Investments Trusts moved narrowly with Northern Securities, 232p, and Strata Investments, 146p, recording gains of around 4.

Oils firm

The oil majors made useful progress as spot prices edged above the $18 a barrel level in the wake of the recent Opec agreement on prices and quotas. British Petroleum gained 8 to 728p and Shell rose 8 to 988p. Britoil were an active market and finally 2 higher at 171p while Ultramar hardened a couple of pence to 160p. Elsewhere, Burmah revived strongly and gained 13 to 387p. Sovereign put on 4 to 37p.

Bid speculation continued to assist Inchcape, up 8 more at 511p, while Lonrho improved to 249p on talk of American interests building further stakes and also on dividend hopes; the annual results are due early in 1987. Polly Peck emerged from a rather lean spell to close 5 higher at 180p.

Golds give ground

South African mining markets finished the year on a predictably dull note. Quotations gave ground across the board although this owed more to the general paucity of enthusiasm than to any weight of selling. The closure of some Continental financial centres and the shortened session in the Cape proved to be an inhibiting influence—South African markets do not reopen until next Monday—and losses in sterling terms, exacerbated by the pound's continued improvement against the dollar, left Golds close to the day's lowest levels.

Top-quality Golds showed losses to over a full point; Vaal Reefs, £54¼, and Randfontein, £60⅞, fell 1¼ apiece, while Southvaal eased a half-point to £27⅞. Some substantial falls were also registered by smaller-priced issues with Freegold, 731p, Durban Deep, 717p, and Doornfontein, 684p, all closing some 30 cheaper. The FT Gold Mines index dipped another 9.3 to 288.9.

Bullion, as on Tuesday, had no appreciable effect on sentiment, closing $1.25 firmer at $391 an ounce. Platinum, however, was fixed lower at $468.75, a five-month low, and major producers Rustenburg, 669, and Impala, 745p, fell 13 and 17 respectively.

South African Financials mirrored Golds. De Beers, despite a favourable mention, eased a few pence to 502p, while JCI fell over 2 points to £71½, and "Amgold" finished 1¼ off at £47¼. London-registered Financials, in contrast, responded to the relative strength of domestic equities. Consolidated Gold Fields, additionally buoyed by fresh bid speculation, advanced 10 to 672p, while RTZ closed another 6 up at 705p.

Traded Options

Given the extremely subdued conditions prevailing in the underlying securities, traded option volume held up remarkably well. Total contracts struck amounted to 18,132, comprising 11,673 calls and 6,459 puts, a figure almost three times the business transacted on the same day in 1985. Dealers reported above average interest for British Gas, British Telecom and TSB, with 2,084, 1,536 and 1,575 trades done respectively. The FT-SE 100 index also attracted a fair measure of year-end hedging with 1,143 calls and 382 puts struck.

Traditional Options

- First dealings Dec 15 Jan 5 Jan 19
- Last dealings Jan 2 Jan 16 Jan 30
- Last declaration Mar 19 Apr 2 Apr 23
- For Settlement Mar 30 Apr 13 May 5

For rate indications see end of Unit Trust Service

Call options were taken out in Bristol Channel Ship Repairers, William Morris, Amstrad, Sears, Conroy, Border Television, Cifer, Ferranti, Markheath, Morgan Grenfell, GEC, Sale Tilney, Oceonics, Wettern Brothers, Yorkshire Television, AAH, Hambros, AGB Research, Chloride, Woolworth, British and Commonwealth, P & O Deferred, Abbeycrest and RSG International. A put was taken out in Bristol Channel, while a double was transacted in Greenwich Resources.

FINANCIAL TIMES STOCK INDICES

	Dec. 31	Dec. 30	Dec. 29	Dec. 24	Dec. 23	year ago	1986 High	1986 Low	Since Compilation High	Since Compilation Low
Government Secs	83.62	83.52	83.25	83.14	82.96	82.79	94.51 (18/4)	80.39 (20/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	89.72	89.60	89.53	89.77	89.72	88.82	97.68 (7/7)	86.55 (23/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1,313.9	1,308.6	1,307.1	1,301.2	1,294.7	1,138.5	1,425.9 (3/4)	1,094.3 (14/1)	1,425.9 (3/4/86)	49.4 (26/6/40)
Gold Mines	288.9	298.2	299.0	299.6	308.9	257.5	357.8 (22/9)	185.7 (18/7)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.38	4.39	4.39	4.41	4.43	4.36				
Earnings Yld.%(full)	10.36	10.39	10.41	10.46	10.51	10.84				
P/E Ratio (net) (*)	11.84	11.81	11.79	11.73	11.68	11.39				
SEAQ Bargains (5 pm)	22,524	25,720	22,827	10,000	25,461	—				
Equity Turnover (£m)	—	620.71	751.33	675.13	867,6202	259.10				
Equity Bargains	—	35,743	31,651	19,138	46,625	14,892				
Shares Traded (ml)	—	334.4	308.4	233.0	430.5	145.0				

S.E. ACTIVITY

Indices	Dec. 30	Dec. 29
Gilt Edged Bargains	102.0	99.66
Equity Bargains	231.6	205.1
Equity Value	1254.6	1518.6
5-Day Average		
Gilt Edged Bargains	97.3	99.5
Equity Bargains	228.0	252.1
Equity Value	1677.2	1951.5

♥ Opening 1308.8 | 10 a.m. 1309.9 | 11 a.m. 1311.4 | Noon 1312.5 | 1 p.m. 1312.3 | 2 p.m. 1312.2 | 3 p.m. 1312.2 | 4 p.m. 1313.1

Day's High 1313.9. Day's Low 1308.6

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974 *Nil=11.41.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

NEW HIGHS AND LOWS FOR 1986

NEW HIGHS (81)

British Funds (2). Loans (1). Americans (1). Banks (2). Buildings (8). Stores (3). Electricals (4). Engineering (6). Foods (3). Industrials (14). Insurance (3). Leisure (7). Motors (1). Newspapers (2). Property (2). Textiles (4). Trusts (10). Oils (5). Overseas Traders (1). Mines (2).

NEW LOWS (16)

Americans (5) Amfac, BASIX Corp, Hospital Corp. Amer., Saul (B. F.), Tracor. Electricals (3) Murray Tech Invests, Rodime, Systems Reliability. Industrials (2) Magnacard, NMW Computers. Insurance (2) Alexander & Alexander, Lincoln Natl Corp. Property (1) Sarakreek Hldgs NV. Shipping (1) Sea Containers. Trusts (1) Smith New Court. Mines (1) Musto Expln.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system on Wednesday until 6 pm.

Stock	Volume 000's	Closing price	Day's change	Stock	Volume 000's	Closing price	Day's change
ASDA-MFI	453	157	+3	Land Securities	68	338	—
Allied Lyons	395	322	+3	Legal & Gen.	533	256	+1
BAT	837	465	−3	Lloyds Bnk	830	445	+8
BOC	172	372	+1	Lonrho	1,200	249	+2
BTR	457	271	—	Marks & Spncr	802	180	+1
Barclays	612	514	+6	Midland Bank	735	606	+12
Bass	63	737	−3	NatWest Bank	1,000	548	+6
Beecham	303	443	+2	Pearson	641	616	—
Blue Circle	169	673	—	P & O	300	525	+2
Boots	623	231	—	Pilkington Bros	1,800	665	+4
Brit. Aero	1,200	516	+5	Plessey	1,700	184	—
Brit. Gas	21,000	65½	—	Prudential	542	804	+2
Britoil	7,000	171	+2	Racal	5,900	192	+4
BP	1,200	728	+8	Rank Org	68	527	—
Brit. Telecom	2,300	216	+2	Reckitt & Col	22	866	—
Burton	1,900	284	—	Reuters	1,100	553	−5
Cable & Wire	204	329	—	RTZ	521	704	+5
Cadbury Schwps.	535	187	−1	Rowntree Mac	327	403	+3
Coats Viyella	118	462	−4	Royal Insurance	218	847	+3
Comm. Union	687	268	+2	STC	2,200	174	−2
Cons. Gold	326	672	+10	Sainsbury	74	420	+2
Courtaulds	41	306	−1	Sears	2,300	134	+½
Dee Corp	3,200	214	+3	Sedgwick	86	303	+3
Dixons Grp	501	318	+1	Shell Trans	765	988	+8
Fisons	143	535	—	Smith & Nephew	475	125	—
Gen. Accident	104	804	+5	Standard Chart	285	794	+6
Gen. Elect	1,400	184	—	Storehouse	170	286	—
Glaxo	269	£10½	—	Sun Alliance	690	647	+8
Grand Met	683	457	−3	TSB	n/a	77	+2
Gus "A"	31	£10$\frac{5}{16}$	—	Tesco	390	396	+5
Guardian R.E.	53	777	+3	Thorn EMI	82	469	−2
GKN	1,500	274	+6	Trafalgar House	2,100	276	+5
Guinness	2,700	288	−2	T'house Forte	452	179	+2
Hanson Trust	1,000	189	−1	Unilever	30	£21⅞	+$\frac{1}{16}$
Hawker Sidd	49	445	+2	United Biscuits	575	233	+1
ICI	649	£10$\frac{11}{16}$	−$\frac{1}{16}$	Wellcome	2,600	235	—
Jaguar	815	537	+6	Woolworth	117	710	—
Ladbroke	136	384	+1				

RISES AND FALLS WEDNESDAY

	Rises	Falls	Same
British Funds	77	25	9
Corporations, Dominion and Foreign Bonds	16	10	44
Industrials	399	287	850
Financial and Properties	124	104	356
Oils	34	16	65
Plantations	0	2	12
Mines	21	79	84
Others	28	109	74
Totals	699	632	1,494

MONTHLY AVERAGES OF STOCK INDICES

	December	November	October	September
Financial Times				
Government Securities	82.18	81.80†	82.71†	85.98
Fixed Interest	89.02	88.68	89.226	92.74
Ordinary	1,283.6	1,289.2	1,262.3	1,286.2
Gold Mines	313.7	303.5	302.3	312.5
SEAQ Bargains (5p.m.)	28,527	29,261	—	—
F.T.—Actuaries				
Industrial Group	843.60	844.89	815.49	836.82
500 Share	895.16	888.99	862.13	880.92
Financial Group	606.35	606.19	591.43	603.93
All-Share	817.98	812.5	788.06	802.27
FT-SE 100	1,638.8	1,636.8	1,593.1	1,624.8

	Dec High	Dec Low
Ordinary	1,313.9(31st	1,265.9(4th)
All-Share	835.48(31st)	804.87(4th)
FT-SE 100	1,679.0(31st	1,601.1(4th)

† Correction

FT-ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Wed Dec 31 1986 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (ACT at 29%)	Est. P/E Ratio (Net)	xd adj. 1986 to date	Tues Dec 30 Index No.	Mon Dec 29 Index No.	Weds Dec 24 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (210)	696.73	+0.3	8.97	3.75	14.11	17.69	694.97	692.57	689.99	569.74
2	Building Materials (27)	864.46	+0.1	8.77	3.56	14.34	21.45	863.27	861.62	855.55	628.19
3	Contracting, Construction (29)	1185.88	+0.4	7.94	3.92	17.31	32.88	1181.53	1184.43	1176.85	917.84
4	Electricals (12)	1772.22	+1.3	8.58	4.76	15.10	56.02	1749.30	1735.10	1744.52	1524.90
5	Electronics (38)	1543.77	+0.2	9.33	2.67	14.21	30.79	1541.16	1537.58	1539.17	1404.31
6	Mechanical Engineering (61)	393.85	+0.2	10.04	4.20	12.68	11.47	393.12	392.03	389.22	323.67
8	Metals and Metal Forming (7)	355.97	+0.4	10.27	4.18	11.83	10.32	354.43	353.00	350.64	239.44
9	Motors (15)	272.33	+1.0	10.15	3.86	11.36	6.98	269.70	268.08	266.88	206.36
10	Other Industrial Materials (21)	1179.57	—	7.50	4.66	15.82	31.80	1179.52	1169.47	1167.94	1010.88
21	CONSUMER GROUP (186)	950.87	+0.1	8.06	3.35	15.65	22.69	949.50	950.07	944.78	763.43
22	Brewers and Distillers (22)	938.04	—	9.06	3.69	13.85	25.07	937.65	935.22	923.43	783.64
25	Food Manufacturing (25)	738.32	+0.5	9.17	3.81	14.29	19.96	734.82	735.12	731.30	565.80
26	Food Retailing (16)	1881.08	+0.9	7.02	2.85	19.83	35.41	1864.19	1865.69	1852.83	1729.97
27	Health and Household Products (10)	1649.31	+0.1	5.76	2.30	20.13	26.19	1648.15	1650.65	1638.74	1233.41
29	Leisure (29)	986.35	+0.5	7.61	4.11	17.19	27.59	981.80	978.19	974.29	751.25
32	Publishing & Printing (14)	2713.49	−0.7	7.18	4.28	17.95	77.81	2731.97	2736.52	2737.53	1835.56
33	Packaging and Paper (14)	491.50	−0.2	6.96	3.40	18.61	11.91	492.53	491.65	487.51	363.35
34	Stores (37)	835.17	+0.2	7.63	3.22	17.80	18.68	833.67	837.53	829.79	754.65
35	Textiles (17)	541.39	−0.5	9.75	3.79	11.81	14.49	543.89	549.53	550.38	383.26
36	Tobaccos (2)	1302.51	−0.6	12.71	3.97	8.64	38.02	1310.43	1315.90	1321.18	897.32
41	OTHER GROUPS (86)	821.02	+0.1	8.78	4.04	14.61	23.03	820.06	820.16	818.35	708.04
42	Chemicals (20)	1008.90	−0.3	8.80	4.35	13.85	29.68	1012.20	1014.95	1013.51	736.20
44	Office Equipment (4)	261.23	—	7.01	4.03	17.24	7.55	261.24	260.58	261.17	206.43
45	Shipping and Transport (12)	1570.92	—	7.63	4.44	16.72	46.37	1570.58	1549.25	1533.16	1337.11
47	Telephone Networks (2)	853.93	+0.7	10.96	4.51	12.44	27.20	847.64	849.23	849.23	878.00
48	Miscellaneous (48)	1114.07	−0.2	6.92	3.22	17.80	25.09	1116.08	1116.10	1112.18	877.92
49	INDUSTRIAL GROUP(482)	860.46	+0.2	8.46	3.62	14.99	21.72	859.04	858.96	854.90	705.92
51	Oil & Gas (18)	1511.37	+0.9	11.27	5.99	11.22	63.41	1498.45	1497.24	1492.22	1117.69
59	500 SHARE INDEX(500)	915.61	+0.3	8.87	3.97	14.28	24.98	913.18	913.00	908.86	741.37
61	FINANCIAL GROUP (118)	615.75	+0.6	—	4.64	—	19.16	612.07	609.11	609.97	516.53
62	Banks (8)	691.19	+1.2	18.26	5.32	7.52	24.78	682.66	675.45	676.68	538.06
65	Insurance (Life) (9)	869.23	+0.5	—	4.48	—	27.29	864.94	857.90	857.95	780.14
66	Insurance (Composite) (7)	456.52	+0.6	—	4.75	—	15.57	453.70	452.25	454.98	400.57
67	Insurance (Brokers) (9)	1125.69	+0.6	8.48	4.71	15.32	36.30	1119.12	1128.90	1134.49	1151.01
68	Merchant Banks (11)	345.85	−0.3	—	4.21	—	7.81	347.00	348.74	350.61	281.00
69	Property (49)	806.70	—	5.97	3.60	21.79	19.90	806.99	806.70	803.47	666.19
70	Other Financial (25)	365.06	+0.2	9.75	4.39	12.61	10.65	364.48	362.55	362.22	294.60
71	Investment Trusts (97)	870.05	—	—	2.64	—	16.87	869.61	871.04	868.45	642.89
81	Mining Finance (2)	342.99	+1.0	9.11	4.68	12.91	11.30	339.54	337.53	337.62	244.41
91	Overseas Traders (13)	782.20	+0.8	10.24	5.80	11.84	29.87	776.31	770.80	768.48	590.20
99	ALL-SHARE INDEX (730)	835.48	+0.3	—	4.04	—	23.11	832.80	831.99	829.11	676.10

	Index No.	Day's Change	Day's High	Day's Low	Dec 30	Dec 29	Dec 24	Dec 23	Dec 22	Year ago
FT-SE 100 SHARE INDEX ‡	1679.0	+5.9	1679.2	1671.6	1673.1	1671.6	1665.1	1660.9	1652.2	1398.9

FIXED INTEREST

	PRICE INDICES	Weds Dec 31	Day's change %	Tues Dec 30	xd adj. today	xd adj. 1986 to date
	British Government					
1	5 years	119.57	+0.04	119.52	—	11.68
2	5-15 years	132.43	+0.44	131.85	—	13.89
3	Over 15 years	138.85	+0.58	138.05	—	13.60
4	Irredeemables	149.32	−0.46	150.02	—	14.54
5	All stocks	130.28	+0.33	129.85	—	13.23
	Index-Linked					
6	5 years	115.66	+0.17	115.46	—	2.37
7	Over 5 years	111.48	−0.11	111.60	—	3.30
8	All stocks	112.13	−0.06	112.20	—	3.14
9	Debentures & Loans	113.05	−0.08	113.14	—	11.85
10	Preference	79.81	−0.02	79.82	—	6.56

	AVERAGE GROSS REDEMPTION YIELDS		Weds Dec 31	Tues Dec 30	Year ago (approx.)
	British Government				
1	Low	5 years	9.77	9.82	10.17
2	Coupons	15 years	10.08	10.13	10.31
3		25 years	10.08	10.13	10.31
4	Medium	5 years	10.80	10.81	11.18
5	Coupons	15 years	10.39	10.47	10.64
6		25 years	10.18	10.23	10.26
7	High	5 years	10.84	10.86	11.25
8	Coupons	15 years	10.57	10.64	10.79
9		25 years	10.24	10.27	10.41
10	Irredeemables†		10.06	10.01	9.79
	Index-Linked				
11	Inflat'n rate 5%	5 yrs	3.91	3.99	0.00
12	Inflat'n rate 5%	Over 5 yrs	3.87	3.86	0.00
13	Inflat'n rate 10%	5 yrs	2.39	2.45	0.00
14	Inflat'n rate 10%	Over 5 yrs	3.71	3.70	0.00
15	Debs &	5 years	11.46	11.28	11.72
16	Loans	15 years	11.30	11.27	11.47
17		25 years	11.30	11.27	11.47
18	Preference		11.83	11.83	12.00

‡Opening index 1673.9; 10 am 1673.7; 11 am 1674.6; Noon 1676.5; 1 pm 1676.4; 2 pm 1676.4; 3 pm 1676.7; 3.30 pm 1677.2; 4 pm 1677.9.

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 28p.

LONDON TRADED OPTIONS

Option		CALLS Jan.	CALLS Apr.	CALLS July	PUTS Jan.	PUTS Apr.	PUTS July
Allied Lyons (*321)	280	43	53	60	1	5	8
	300	23	38	45	1½	8	15
	330	2	18	25	16	22	30
	360	0½	6	—	45	45	—

Option		CALLS Feb.	CALLS May.	CALLS Aug.	PUTS Feb.	PUTS May.	PUTS Aug.
Ladbroke (*383)	300	90	—	—	1	—	—
	330	60	67	75	1	3	5
	360	33	45	53	4	8	15
	390	12	28	35	16	25	25

December 31. Total Contracts 18,132. Calls 11,673. Puts 6,459. FT-SE Index, Calls 1,143. Puts 382

*Underlying security price.

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price	+ or −	Net. Div.	Times Cov'd	Gross Yield	P.E. Ratio
§122	F.P.	2/1	153	135	‡Ashtead Group 10p	153	+4	R3.0	3.5	2.8	14.6
—	F.P.	—	50	27	Australia Inv. Wrts	50					

FIXED INTEREST STOCKS

"RIGHTS" OFFERS

WORLD STOCK MARKETS

AUSTRIA

GERMANY

NORWAY

AUSTRALIA (continued)

JAPAN (continued)

BELGIUM/LUXEMBOURG

SPAIN

DENMARK

SWEDEN

HONG KONG

ITALY

FINLAND

SWITZERLAND

NETHERLANDS

FRANCE

SINGAPORE

AUSTRALIA

JAPAN

SOUTH AFRICA

CANADA

TORONTO

Closing prices December 31

MONTREAL

Closing prices December 31

Indices

NEW YORK

CANADA

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
BellSouth	4.641.900	57⅞	−0⅛	Walt Disney	1.896.700	43¼	+0⅛
S. Cal. Edison	3.187.700	33⅞	−0¼	AT and T.	1.610.600	25	—
Amer. Info.	3.147.600	132½	−0⅛	IBM	1.509.000	120	−0⅞
May Dpt. Strs.	2.437.100	35½	+0⅛	Owens-Illinois	1.448.900	53	+1
Illinois Power	2.004.300	29⅞	—	Niag. Mohawk	1.364.200	16¾	+0⅛

** Saturday December 27: Japan Nikkei 18,701.3. TSE 1,556.37.
Base value of all Indices are 100 except Brussels SE—1,000, JSE Gold—255.7, JSE Industrial—264.3, and Australia, All Ordinary and Metals—500. NYSE All Common—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto Indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

OVER-THE-COUNTER *Nasdaq national market, closing prices December 31*

Continued from Page 23

NYSE COMPOSITE CLOSING PRICES

Continued from Page 23

BZW sets up Dutch operation

BY DAVID LASCELLES

BZW, the investment banking arm of the Barclays Bank group, is to establish a securities operation in Holland and become a member of the Amsterdam Stock Exchange.

BZW is taking over Barclays Kol & Co NV, the group's existing Dutch operation, and is altering its status from that of a bank to a securities institution. The new entity will be known as BZW Nederland, and will develop a full range of securities services.

BZW Nederland is a member of the Amsterdam Stock Exchange, the Amsterdam-based European Options Exchange and the Association of International Bond Dealers.

Mr Nicholas Sibley, the director in charge of BZW's international equity operations, said the move to Holland was part of BZW's strategy of developing a direct presence in several European securities markets. The company expects to take on Barclay's securities and merchant banking operations in Italy, France and Switzerland, and is considering steps into the West German market.

The emphasis will be on equities rather than bonds, Mr Sibley said. In establishing this network BZW wants to be able to trade securities internationally, but also to be seen as a member of the securities industry of each country.

National Semi reduces deficit

BY OUR FINANCIAL STAFF

NATIONAL Semiconductor, the California-based electronics group, reduced its losses sharply in the second quarter to a net $5.7m or 9 cents a share compared with $38.3m or 46 cents in the corresponding period a year earlier.

The deficit for the three months to December 14 was higher than that of the immediately preceding quarter, however, when the group came close to breaking even with a loss of $1.4m or 4 cents a share on sales of $501.1m. Sales in the latest quarter rose to $456.8m compared with $349.2m

National Semiconductor blamed the decline between its first and second quarters on reduced orders during the summer and noted that the latest period included a provision of $7.5m to cover costs associated with layoffs.

For the first six months, the net loss improved from $45m to $7.1m, while sales rose from $758m to $957.9m. Results for the previous second quarter and first half have been restated following a change in the method of accounting for revenue from distributor shipments.

Nomura acquisition

Nomura Securities of Japan has acquired a 50 per cent equity interest in Eastdil Realty, a New York-based real estate investment bank.

The acquisition marks another step in Nomura's programme to increase its presence in the US. In early 1986 it acquired an interest in Babcock and Brown, which arranges domestic and international financings.

Agencies

Closing prices, December 31

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
26½	17	AAR s	.44	1.9	17	317	23⅝	23	23⅝	−⅜
30	21⅝	ADT	.92	3.4		217	27	26¾	27	+¼
33	16⅝	AFG s	.12	.4	14	293	29⅜	28⅞	28⅞	−⅛
29	16¼	AGS			16	251	28½	27⅝	28	+⅜
15	6¾	AMCA				23	7	6⅞	7	+⅛
62⅛	38¼	AMR			12	1991	53¾	53⅛	53⅝	+⅛
27½	23⅞	ANR pf	2.67	10.		10	26	26	26	
16½	10	ARX	.71t	6.0	11	117	11¾	11½	11¾	+¼
41½	28¾	ASA	2a	5.3		1283	37½	35¾	37½	+2
18⅝	9¼	AVX		3.0		240	10⅝	10⅜	10⅝	+⅛
32	26	AZP	2.72	9.6	8	2113	28½	28¼	28⅜	
55	31⅝	AbtLb s	.84	1.8	20	3990	47¼	45⅝	45¾	−1
32	25	AccoWd	.56	2.2	17	155	25⅞	25⅝	25¾	+⅛
14⅞	9	AcmeC	.40	3.9		107	10¾	10⅜	10⅜	−¼
9¼	6⅛	AcmeE	.32b	5.1	16	53	6½	6¼	6¼	−⅜
23⅞	17½	AdaEx	4.45e	23.		267	19½	19⅛	19⅛	−⅛
16⅝	9¼	AdmM s				206	14	13½	13½	−½
20⅜	12⅛	AdvSys	1.45t	7.8	15	307	18½	17¾	18½	+½
32⅞	12⅞	AMD				2989	13⅞	13⅜	13⅝	
12⅝	6⅛	Adobe				467	6⅝	6½	6⅝	+⅛
18⅞	13¾	Adob pf	1.84	11.		182	16⅝	16⅛	16¼	+⅛
20¼	16⅝	Adob pf	2.40	13.		388	18⅛	18	18	
18⅛	11⅛	Advest	.12a	1.0	9	362	12	11½	11¾	−⅛
66¼	52⅛	AetnLf	2.64	4.7	8	7328	57	56¼	56½	
54⅝	51⅛	AetL pf	3.94e	7.6		56	51¾	51¾	51¾	−¼
73⅜	34⅞	AhPb s	.44	.6	34	207	71	69½	70⅛	−1
28¾	15¾	Ahmns	.48	2.1	7	3385	21⅝	21⅜	21⅝	+¼
5¾	2⅞	Aileen			63	309	4⅝	4¼	4⅝	+⅛
41⅝	29⅛	AirPrd s	.80	2.3	39	1153	35½	35⅛	35⅜	−⅛
32	16	AirbFrt	.60	2.0	21	428	30¼	29⅝	29⅞	−⅜

Continued from Page 23

NYSE COMPOSITE CLOSING PRICES

Continued from Page 22

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Ch'ge Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
59	34⅞	WinDix 1.80		3.9	17	344	48	45½	45⅞	+½
20¾	9	Winnbg .20		1.7	14	727	11⅞	11⅝	11⅝	−⅛
8	3⅜	Winner				231	3⅝	3½	3⅝	+⅛
10⅝	5¾	WinterJ 16e		2.4	20	22	6⅞	6⅝	6¾	
64½	38⅝	WiscEP 2.68		5.1	11	455	52⅝	51¾	52⅝	
105	90	WisE pf 8.90		8.7		z390	103	102	102	−½
31	26	WisG pf 2.55		9.1		6	28⅛	27¾	28⅛	+⅛
60¼	39	WiscPL 2.96		5.9	12	579	50⅞	50	50	−⅞
63	38⅝	WiscPS 3		6.1	12	217	49½	49	49⅜	
40	26⅛	Witco s 1.12		2.9	13	134	39⅛	38⅝	38⅝	−⅝

Continued on Page 21

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

Closing prices, December 31

Stock	Div.	P/ E	Sls 100s	High	Low	Close	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OVER-THE-COUNTER

Nasdaq national market, closing prices December 31

Stock	Sales (Hnds)	High	Low	Last	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 21

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Record deficit hits dollar

A RECORD US trade deficit of $19.22bn in November pushed the dollar down to the lowest level against the D-Mark for over six years on Wednesday. The October deficit was also revised up to $14.71bn from $12.06bn. Dealers had expected a November shortfall of about $13bn, but a rise in manufactured imports, including record car imports and a record trade deficit with Japan, produced November's very sharp rise. Trading was very thin however, and the full implications of the figures may not become clear until market volume picks up next week.

The dollar fell to the lowest level since November 1980, at DM 1.9235 from DM 1.9460 to FFr 6.3750 from FFr 6.4425 to SFr 1.6130 from SFr 1.6255 and to Y158.20 from Y159.85.

On Bank of England figures the dollar's index fell to 107.9 from 108.9.

STERLING—Trading range against the dollar in 1986 is 1.5555 to 1.3700. November average 1.4250. Exchange rate index rose 0.2 to 69.2, compared with 76.2 six months ago.

Sterling continued to improve against the dollar, but declined with the US unit against several major European currencies. The recent rise in oil prices underpinned the pound, and the report by the Confederation of British Industry, forecasting faster UK economic growth in 1987 and better business prospects also lent support. Sterling gained 1.35 cents to $1.4820-1.4830, and rose to SFr 2.39 from SFr 2.3875, but fell to DM 2.8525 from DM 2.8575; to FFr 9.45 from FFr 9.4850; and to Y234.50 from Y234.75.

D-MARK—Trading range against the dollar in 1986 is 2.4710 to 1.9235. November average 2.0227. Exchange rate index 145.3 compared with 135.4 six months ago.

The D-Mark continued to appreciate against the dollar on Wednesday, even before the US trade figures. The Bundesbank did not intervene when the dollar was fixed at DM 1.9408, compared with DM 1.9500 on Tuesday. Trading was very thin, with the US currency moving on relatively small orders of around $5m. There was little reaction to the comment by Mr Karl Otto Poehl, President of the Bundesbank, that a further fall in the value of the dollar would not be in the interests of the US, and without doubt would pose risks for further economic growth in West Germany and Europe. It would also lead to strong inflationary pressure in the US, and probably also to higher interest rates, without improving the current account deficit significantly.

In Copenhagen the Danish Central Bank admitted it had intervened to support the kroner against the D-Mark in recent weeks, but not to the extent of the DKr 10 to 14 bn quoted in a Danish newspaper report. The kroner stood at its lower intervention limit of DKr 3.7876 against the D-Mark at Wednesday's close. Mr Erik Hoffmeyer, Governor of the central bank has said the authorities are prepared to raise short term interest rates to support the kroner if necessary. According to sources in the foreign exchange market a revaluation of 2 to 3 per cent by the D-Mark is expected within the EMS after the West German Federal elections on January 25.

JAPANESE YEN—Trading range against the dollar in 1986 is 202.70 to 152.35. November average 162.77. Exchange rate index 207.3 against 200.9 six months ago.

The yen was slightly weaker against the dollar in very quiet Tokyo trading. The US currency rose to Y160.10 from Y159.20. The Tokyo market will not reopen until Monday, having been closed since New Years Day. Apart from the lack of trading at the year-end dealers were also reluctant to become involved in the market ahead of the US trade figures. A news report that Mr Kiichi Miyazawa, Japanese Finance Minister, said a level of Y170 would be appropriate for Japanese industry lent some support to the dollar.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu December 30	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	43.1139	43.2155	+0.24	+0.72	±1.5368
Danish Krone	7.81701	7.86273	+0.58	+1.06	±1.6403
German D-Mark	2.11083	2.07600	−1.65	−1.17	±1.1127
French Franc	6.87316	6.87476	+0.02	+0.50	±1.3659
Dutch Guilder	2.37833	2.34546	−1.38	−0.90	±1.5059
Irish Punt	0.764976	0.764262	−0.09	+0.39	±1.6683
Italian Lira	1476.95	1444.42	−2.20	−1.88	±4.0734

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

Dec 31	Close	Previous Close
£ Spot	1.4840-1.4850	1.4690-1.4700
1 month	0.54-0.53 pm	0.57-0.55 pm
3 months	1.71-1.68 pm	1.73-1.71 pm
12 months	6.33-6.25 pm	6.53-6.43 pm

Forward premiums and discounts apply to the U.S. dollar.

STERLING INDEX

	Dec. 31	Previous
8.30 am	69.4	69.1
9.00 am	69.3	69.1
10.00 am	69.3	69.0
11.00 am	69.2	69.0
Noon	69.2	69.0
1.00 pm	69.1	69.1
2.00 pm	69.2	69.0
3.00 pm	69.2	69.0
4.00 pm	69.2	69.0

POUND SPOT—FORWARD AGAINST THE POUND

Dec. 31	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.4675-1.4830	1.4820-1.4830	0.55-0.52c pm	4.33	1.72-1.67 pm	4.57
Canada	2.0341-2.0495	2.0475-2.0485	0.50-0.37c pm	2.55	1.37-1.20 pm	2.51
Netherlands	3.21-3.25¼	3.24½-3.25½	1½-1¼c pm	4.85	4¼-3⅞c pm	4.93
Belgium	59.40-60.05	59.40-59.50	17-12c pm	2.93	47-38 pm	2.86
Denmark	10.82½-10.91	10.89½-10.90½	1¼-1ore pm	1.51	3⅝-2⅞pm	1.19
Ireland	1.0477-1.0582	1.0495-1.0505	0.20-0.35p dis	−3.14	0.55-0.80 dis	−2.57
W. Germany	2.84¼-2.87	2.84¾-2.85¾	1⅝-1⅜ pf pm	6.31	4½-4⅛ pm	6.05
Portugal	214.91-217.12	216.00-217.00	119-196 c dis	−8.73	243-333 dis	−5.32
Spain	194.01-195.82	194.10-195.80	10-35 c dis	−1.39	20-76 dis	−0.99
Italy	1979¼-2003½	1984½-1985½	Par-3 lire dis	−0.91	1-6dis	−0.71
Norway	10.82½-10.93	10.91¼-10.92¼	1⅞-2⅞ ore dis	−2.61	10½-11½ dis	−4.05
France	9.43-9.51¼	9.44½-9.45½	1⅛-⅝ c pm	1.11	1⅝-par pm	0.34
Sweden	9.99-10.07¼	10.01-10.02	1⅞-1⅜ ore pm	1.95	4¼-3¼ pm	1.60
Japan	234-236¼	234-235	1½-1¼ y pm	7.04	4-3¾ pm	6.61
Austria	20.07-20.22	20.08-20.14	10¼-8¼ gro pm	5.67	28½-24½ pm	5.25
Switzerland	2.38¼-2.39¾	2.38½-2.39½	1½-1⅜ cpm	7.22	4¼-3⅞pm	6.80

Belgian rate is for convertible francs. Financial franc 60.05-60.15. Six-month forward dollar 3.36-3.31 c pm. 12-month 6.35-6.25 c pm.

DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

Dec. 31	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.4675-1.4830	1.4820-1.4830	0.55-0.52c pm	4.33	1.72-1.67 pm	4.57
Ireland†	1.3954-1.4112	1.4085-1.4095	0.86-0.76c pm	6.97	2.60-2.40 pm	7.17
Canada	1.3795-1.3815	1.3805-1.3815	0.18-0.23c dis	−1.78	0.69-0.75 dis	−2.09
Netherlands	2.1880-2.2015	2.1905-2.1915	0.12-0.07c pm	0.52	0.20-0.15 pm	0.32
Belgium	40.05-40.45	40.05-40.15	4-6 c dis	−1.48	16-20 dis	−1.78
Denmark	7.33¾-7.38	7.35-7.35½	1.00-1.60 ore dis	−2.13	5.00-5.60 dis	−2.89
W. Germany	1.9190-1.9495	1.9230-1.9240	0.31-0.28pf pm	1.82	0.73-0.68 pm	1.45
Portugal	145¾-146½	145¾-145½	110-140c dis	−10.26	325-385 dis	−9.71
Spain	131.70-132.00	131.95-132.05	60-80c dis	−6.37	190-220 dis	−6.21
Italy	1338½-1356½	1338¾-1339¾	4½-6½ lire dis	−4.89	16½-19½ dis	−5.33
Norway	7.38½-7.41¾	7.36½-7.37	5.40-6.00ore dis	−9.25	16.65-17.25dis	−9.17
France	6.36½-6.45	6.37¼-6.37¾	3.80-2.30c dis	−3.83	6.50-7.30 dis	4.30
Sweden	—	6.75¼-6.75¾	1.50-2.00 ore dis	−3.10	5.70-6.30 dis	−3.54
Japan	157.90-160.00	158.15-158.25	0.35-0.30y pm	2.44	0.83-0.78 pm	2.02
Austria	13.54-13.69½	13.54-13.54½	3.90-2.70gro pm	2.90	5.23-3.00pm	1.20
Switzerland	1.6075-1.6280	1.6125-1.6135	0.41-0.36c pm	2.84	0.93-0.88 pm	2.23

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 40.50-40.60.

CURRENCY RATES

Dec. 30	Bank rate %	Special Drawing Rights*	European Currency Unit
Sterling	—	N/A	0.725958
U.S. Dollar	5.5	1.2232	1.06462
Canadian $	1.47	*	1.46970
Austrian Sch.	4	N/A	14.6172
Belgian Franc	8	"	43.2155
Danish Krone	7	"	7.86273
Deutsche Mark	3½	"	2.07600
Neth. Guilder	4½	"	2.34546
French Franc	9½	"	6.87476
Italian Lira	12	"	1444.42
Japanese Yen	3.0	"	170.658
Norway Krone	8	"	7.91010
Spanish Peseta	—	"	141.062
Swedish Krona	7½	"	7.25802
Swiss Franc	4	"	1.73426
Greek Drach.	20½	"	148.280
Irish Punt	—	"	0.764262

*C$/SDR rate for Dec. 30; 1.6740

CURRENCY MOVEMENTS

December 31	Bank of England Index	Morgan Guaranty Changes %
Sterling	69.2	−24.5
U.S. Dollar	107.9	+0.6
Canadian Dollar	76.6	−12.8
Austrian Schilling	136.1	+9.8
Belgian Franc	98.6	−5.2
Danish Krone	91.5	+3.1
Deutsche Mark	145.3	+21.1
Swiss Franc	168.6	+20.8
Guilder	132.9	+14.0
French Franc	71.1	−12.8
Lira	48.8	−15.2
Yen	207.3	+54.4

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base average 1975=100).

EURO-CURRENCY INTEREST RATES

Dec. 31	Short term	7 Days' notice	One Month	Three Months	Six Months	One Year
Sterling	10⅞-11⅛	10¹⁵⁄₁₆-11	11⅛-11¼	11⅛-11¼	11¹⁄₁₆-11³⁄₁₆	11¹⁄₁₆-11³⁄₁₆
U.S. Dollar	22-27	7½-7⅝	6½-6⅝	6¼-6⅜	6⅛-6¼	6⅛-6⅜
Can. Dollar	8-8½	8-8½	8-8¼	8⅛-8⅜	8³⁄₁₆-8⁷⁄₁₆	8⁵⁄₁₆-8⁹⁄₁₆
D. Guilder	6¼-6½	6⅜-6½	6⅜-6⅞	6-6⅛	5⅞-6	5¹³⁄₁₆-5¹⁵⁄₁₆
Sw. Franc	4-4½	3¼-3⅝	3¹⁵⁄₁₆-4¹⁄₁₆	3¹⁵⁄₁₆-4¹⁄₁₆	3⅞-4	3⅞-4
Deutschmark	5¾-6	5⅛-5¼	5⅛-5¼	4⅞-5	4¹³⁄₁₆-4¹⁵⁄₁₆	4¹³⁄₁₆-4¹⁵⁄₁₆
Fr. Franc	8-9	8⅝-9⅝	10⅜-10⅝	10⅜-10⅝	9⅞-10⅛	8¾-9¼
Italian Lire	9½-11	12⅛-12⅝	10⅞-11⅜	11⅛-11⅝	10⅞-11⅜	10⅞-11⅜
B. Fr. (Fin.)	5¾-6¼	6½-7	7⅛-7½	7⁵⁄₁₆-7¹¹⁄₁₆	7½-7¾	7½-7¾
B. Fr. (Con.)	5½-6½	6½-8	8-8½	8-8½	8-8½	7⅞-8⅜
Yen	6¼-6½	5-5³⁄₁₆	4⅞-4⅝	4½-4⅝	4⅜-4⁷⁄₁₆	4⁵⁄₁₆-4⁷⁄₁₆
D. Krone	9-9½	10-10½	9¾-10¼	10-10½	10¼-10¾	10¼-10¾
Asian $ (Sing.)	1⅞-2	n/a	3⅞-4	3⅝-3¾	3⅝-3¾	3⅝-3¾

Long-term Eurodollars: Two years 6½-6¾ per cent; three years 7-7¼ per cent; four years 7½-7¾ per cent; five years 7⅝-7⅞ per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others, two days' notice.

OTHER CURRENCIES

Dec. 31	£	$
Argentina	1.8215-1.8285	1.2430-1.2470
Australia	2.2260-2.2295	1.5030-1.5040
Brazil	21.6600-21.7835	14.7850-14.8590
Finland	7.0300-7.0990	4.7850-4.7900
Greece	204.29-204.80	139.00-140.00
Hong Kong	11.5295-11.5600	7.7885-7.7915
Iran	110.25*	75.35*
Korea (Sth)	1260.15-1271.50	857.90-864.90
Kuwait	0.43570-0.43650	0.29435-0.29455
Luxembourg	59.40-59.50	40.05-40.15
Malaysia	3.8450-3.8550	2.5940-2.5990
N. Zealand	2.7870-2.7945	1.8815-1.8850
Saudi Ar.	5.5555-5.5625	3.7525-3.7535
Singapore	3.2125-3.2215	2.1675-2.1725
S. Af. (Cm)	3.2115-3.2440	2.1795-2.1845
S. Af. (Fn)	6.5870-6.9745	4.4445-4.7060
Taiwan	52.00-52.30	35.45-35.55
U.A.E.	5.4370-5.4440	3.6725-3.6735

* Selling rate.

EXCHANGE CROSS RATES

Dec. 31	£	$	DM	YEN	F Fr.	S Fr.	H FL	Lira	C $	B Fr.
£	1	1.483	2.853	234.5	9.450	2.390	3.248	1985.	2.048	59.45
$	0.675	1	1.924	158.2	6.375	1.613	2.191	1339.	1.381	40.10
DM	0.351	0.520	1	82.21	3.313	0.838	1.138	695.9	0.718	20.84
YEN	4.264	6.322	12.16	1000.	40.30	10.19	13.85	8465.	8.733	253.5
F Fr.	1.059	1.569	3.019	248.1	10.	2.529	3.437	2101.	2.167	62.91
S Fr.	0.418	0.620	1.194	98.12	3.954	1.	1.359	830.5	0.857	24.87
H Fl.	0.308	0.457	0.878	72.21	2.910	0.736	1.	611.2	0.631	18.31
Lira	0.504	0.747	1.437	118.1	4.761	1.204	1.636	1000.	1.032	29.95
C $	0.488	0.724	1.393	114.5	4.614	1.167	1.586	969.2	1.	29.03
B Fr.	1.682	2.494	4.798	394.4	15.90	4.020	5.463	3339.	3.445	100.

Yen per 1,000: French Fr per 10: Lira per 1,000: Belgian Fr per 100.

FINANCIAL FUTURES

Uncertain end to year

A LACK of participation made it difficult to gauge the mood of the market in the London International Financial Futures Exchange on Wednesday. A weaker dollar, lower interest rates, higher oil prices and the prospect of a rise in US inflation were all factors on traders' minds. However there was little incentive to do much on the last day of the year and even a record US trade deficit failed to make much of an impression. Figures for November showed a record deficit of $19.2bn compared with a revised $14.7bn deficit in October.

While reaction on Wednesday was muted, all these factors tended to weigh heavily on the dollar, the latter slipping to its lowest level since November 1980 against the D-Mark.

US Treasury bonds opened at 98-14 for March delivery compared with 98-12 on Tuesday and touched a high of 98-23 before coming back to close at 98-15. Three-month Eurodollar deposits were little changed with the March price closing at 93.91 compared with an opening level of 93.88, the same as Tuesday's close.

Gilt futures finished the year on a firmer note. Sentiment towards the year was influenced by two key factors, sterling's apparent strength and improved prospects of a Conservative Party victory at the next general election. However both these factors were a little fragile, with sterling owing much of its resilience to higher oil prices and a lower dollar. Either of these may not perform as expected while political party popularity tends to be volatile. However the March long gilt closed at 112-27 up from an opening level of 112-23 and Tuesday's close at 112.08.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls—Last Mar.	Calls—Last June	Puts—Last Mar.	Puts—Last June
100	12.54	13.04	0.00	0.04
102	10.54	11.09	0.00	0.09
104	8.55	9.18	0.01	0.18
106	6.59	7.34	0.05	0.34
108	5.06	5.60	0.16	0.60
110	3.30	4.33	0.40	1.33
112	2.09	3.20	1.19	2.20
114	1.12	2.22	2.22	3.22

Estimated volume total, Calls 844 Puts 1286
Previous day's open int, Calls 12,173 Puts 6,032

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls—Last Mar.	Calls—Last June	Puts—Last Mar.	Puts—Last June
90	8.32	8.05	0.02	0.33
92	6.36	6.30	0.06	0.58
94	4.48	5.01	0.18	1.29
96	3.11	3.49	0.45	2.13
98	1.58	2.47	1.28	3.11
100	1.02	1.59	2.36	4.23
102	0.31	1.19	4.01	5.47
104	0.13	0.54	5.47	7.18

Estimated volume total, Calls 100 Puts 6
Previous day's open int, Calls 891 Puts 343

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls—Last Jan	Calls—Last Feb	Puts—Last Jan	Puts—Last Feb
15750	13.20	13.28	0.00	0.08
16000	10.72	10.90	0.02	0.20
16250	8.28	8.65	0.08	0.45
16500	5.97	6.58	0.27	0.88
16750	3.92	4.77	0.72	1.57
17000	2.30	3.28	1.60	2.58
17250	1.17	2.12	2.97	3.92
17500	0.51	1.29	4.81	5.56

Estimated volume total, Calls 5, Puts 0
Previous day's open int, Calls 180, Puts 53

LIFFE £/$ OPTIONS

[illegible]

PHILADELPHIA SE £/$ OPTIONS

[illegible]

LONDON

[illegible]

CHICAGO

[illegible]

FT-SE 100 INDEX

[illegible]

CURRENCY FUTURES

[illegible]

SWISS FRANC (IMM)
SFr125,000 $ per SFr

	Latest	High	Low	Prev.
Mar.	0.6244	0.6247	0.6194	0.6178
June	0.62768	0.6276	0.6230	0.6209
Sept.	0.63088	0.6308	0.6300	0.6244

STANDARD & POORS 500 INDEX
$500 times index

	Latest	High	Low	Prev.
Mar.	243.90	244.20	243.35	243.90
June	244.75	245.10	244.00	244.25
Sept.	—	—	—	—
Dec.	246.70	246.70	245.90	246.10

EUROPEAN OPTIONS EXCHANGE

[illegible]

BASE LENDING RATES

[illegible]

Berliner Bank AG 11 · Brit. Bk. of Mid. East 11 · ● Brown Shipley 11 · Cl. Bank Nederland 11 · Canada Permanent 11 · Cayzer Ltd 11 · Cedar Holdings 12 · ● Hill Samuel §11 · C. Hoare & Co 11 · Hongkong & Shangh' 11 · Lloyds Bank 11 · Mase Westpac Ltd 11 · Meghraj & Sons Ltd 11 · Midland Bank 11

deposits 6.69%. 1-month 7.03%. Top Tier—£2,500+ at 3 months' notice 10.03%. At call when £10,000+ remains deposited. ‡ Call deposits £1,000 and over 6¼% gross. § Mortgage base rate. § Demand deposit 6.69%. Mortgage 12¼%.

COUNTRY	CURRENCY	VALUE OF DOLLAR	COUNTRY	CURRENCY	VALUE OF DOLLAR	COUNTRY	CURRENCY	VALUE OF DOLLAR
Afghanistan	Afghani (o)	50.60	Gibraltar	Pound*	1.4768	Papua New Guinea	Kina	0.9615
Albania	Lek	6.8391	Greece	Drachma	139.50	Paraguay	Guarani (o)	240.00
Algeria	Dinar	4.63	Greenland	Danish Krone	7.34		Guarani (p)	550.00
Andorra	French Franc	6.425	Grenada	E. Caribbean $	2.70		Guarani (d)	630.00
	Spanish Peseta	131.88	Guadeloupe	Franc	6.425	Peru	Inti (o)	13.95
Angola	Kwanza	29.918	Guam	U.S. $	1.00		Inti (f)	20.20
Antigua	E. Caribbean $	2.70	Guatemala	Quetzal (o)	1.00	Philippines	Peso	20.56
Argentina	Austral	1.257		Quetzal (h, f)	2.57	Pitcairn Islands	N.Z. Dollar	1.9066
Aruba	Florin	1.80	Guinea Bissau	Peso	170.479	Poland	Zloty (o)	199.21
Australia	Dollar	1.5049	Guinea Republic	Franc	340.00	Portugal	Escudo	146.10

[illegible]

MONEY MARKETS

UK rates ease on firmer pound

UK INTEREST rates finished the year on a slightly softer note in the London money market on Wednesday. The slight reduction was mainly a reflection of sterling's better performance although this itself was more a manifestation of dollar weakness than any renewed sterling strength. Three-month interbank money was quoted at 11¼-11⅛ per cent down from 11⁵⁄₁₆-11³⁄₁₆ per cent on Tuesday while the one-year rate eased to 11⅛-11 per cent from 11³⁄₁₆-11⅛ per cent. Overnight money was quoted at 11½-11 per cent to start with but slipped away to finish at 11 per cent.

UK clearing bank base lending rate 11 per cent since October 15

The Bank forecast a shortage of around £850m with factors affecting the market including maturing assistance and a take up of Treasury bills together draining £889m and Exchequer transactions a further £300m. These were partly offset by a fall in the note circulation of £95m and banks' balances brought forward £30m above target. To help alleviate the shortage, the Bank offered an early round of assistance which totalled £589m and comprised outright purchases of £31m of eligible bank bills in band 1 at 10⅞ per cent, £77m in band 2 at 10¹³⁄₁₆ per cent, £18m in band 3 at 10¾ per cent and £63m in band 4 at 10¹¹⁄₁₆ per cent.

It also arranged sale and repurchase agreements on £410m of bills at 10¹³⁄₁₆ per cent for resale on January 6. Further help of £70m was given in the morning through outright purchases of £1m of eligible bank bills in band 2 at 10¹³⁄₁₆ per cent, £19m in band 3 at 10¾ per cent and £50m in band 4 at 10¹¹⁄₁₆ per cent. The forecast was later revised to a shortage of around £900m before taking into account the earlier help and the Bank gave additional assistance in the afternoon of £198m through purchases of £25m of eligible bank bills in band 1 at 10⅞ per cent, £144m in band 2 at 10¹³⁄₁₆ per cent, £1m in band 3 at 10¾ per cent and £28m in band 4 at 10¹¹⁄₁₆ per cent.

In Frankfurt interest rates were little changed ahead of the year end. Dealers noted comments by a West German official that the authorities would be striving for a reduction in money supply growth in the New Year but not at the expense of inhibiting economic growth. Money supply targets for 1987 were recently set at 3-6 per cent compared with 3½-5½ per cent previously. Money supply for 1986 was seen to grow about 9 per cent.

FT LONDON INTERBANK FIXING

(11.00 a.m. Dec. 31) 3 months U.S. dollars: bid 6⁵⁄₁₆ · Offer 6⁷⁄₁₆ · [illegible]

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

[illegible]

LONDON MONEY RATES

[illegible]